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ADMINISTRATIVE AND BUDGETARY MATTERS

Proposed revised budget for the biennium 1996-1997 and proposed outline for the biennium 1998-1999 for the Fund of the United Nations International Drug Control Programme and programme support cost

Report of the Executive Director

CONTENTS

		Paragraphs	*Page*
PART ONE. OVERVIEW		1-24	4
I.	EXECUTIVE SUMMARY	1-6	4
	A. Proposed revised budget for the biennium 1996-1997 and proposed outline for the biennium 1998-1999	3-4	4
	B. Financial situation, 1996-1997 and 1998-1999	5-6	4
II.	DRAFT RESOLUTION FOR ADOPTION BY THE COMMISSION ON NARCOTIC DRUGS	7	6
III.	PRESENTATION	8-24	7
	A. Commission on Narcotic Drugs	12-14	9
	B. Advisory Committee on Administrative and Budgetary Questions	15-20	9
	C. Board of Auditors	21-24	11

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		Paragraphs	*Page*
PART TWO.	PROPOSED REVISED BUDGET AND FINANCIAL SITUATION FOR THE BIENNIUM 1996-1997	25-77	11
IV.	HEADQUARTERS: THE FUND BUDGET AND THE PROGRAMME SUPPORT COST BUDGET	33-42	14
	A. Recosting adjustments	34	17
	B. Volume adjustments	35-40	17
	C. Introduction of volume adjustments in the Fund budget and the programme support cost budget	41	18
	D. Implications of volume adjustments for the programme of work	42	18
V.	FIELD OPERATIONS: THE FUND BUDGET AND THE PROGRAMME SUPPORT COST BUDGET	43-52	19
	A. Recosting adjustments	44	21
	B. Volume adjustments	45-50	21
	C. Introduction of volume adjustments in the Fund budget and the programme support cost budget	51	22
	D. Implications of volume adjustments for the programme of work	52	22
VI.	PROJECT ACTIVITIES: THE FUND BUDGET	53-56	23
	A. Recosting adjustments	54	23
	B. Volume adjustments	55-56	27
VII.	FINANCIAL SITUATION, 1996-1997	57-77	27
	A. Resource mobilization efforts	59-63	29
	B. Fund of the United Nations International Drug Control Programme	64-74	30
	C. Programme support	75-77	33
PART THREE.	PROPOSED OUTLINE FOR THE BIENNIUM 1998-1999	78-125	35
VIII.	OUTLINE PRIORITIES	81-109	37
	A. Headquarters	83-89	37
	B. Field operations	90-94	38
	C. Project and programme activities	95-109	39
IX.	FINANCIAL SITUATION, 1998-1999	110-125	42
	A. Fund of the United Nations International Drug Control Programme	112-122	42
	B. Programme support	123-125	45

Page

Annexes

I. Organization structure of the United Nations International Drug Control Programme 46
II. Glossary 51
III. Budget methodology 53

Tables

1. Summary of the proposed revised budget for the biennium 1996-1997 and the proposed outline for the biennium 1998-1999 for the Fund of the United Nations International Drug Control Programme and programme support cost 5
2. Financial situation, 1996-1997 and 1998-1999 5
3. Summary of the proposed revised budget for the biennium 1996-1997 for the Fund of the United Nations International Drug Control Programme and programme support cost, by segment 12
4. Summary of the proposed revised budget for the biennium 1996-1997 for the Fund of the United Nations International Drug Control Programme and programme support cost, by post requirements 13
5. Proposed revised budget for the biennium 1996-1997 for the Fund of the United Nations International Drug Control Programme and programme support cost, for Headquarters, by programme 15
6. Proposed revised budget for the biennium 1996-1997 for the Fund of the United Nations International Drug Control Programme and programme support cost, for Headquarters, by object of expenditure 16
7. Proposed revised budget for the biennium 1996-1997 for the Fund of the United Nations International Drug Control Programme and programme support cost, field operations, by region 19
8. Proposed revised budget for the biennium 1996-1997 for the Fund of the United Nations International Drug Control Programme and programme support cost, field operations, by object of expenditure 20
9. Proposed revised budget for the biennium 1996-1997 for the Fund of the United Nations International Drug Control Programme, for project activities, by region, sector and object of expenditure 24
10. Proposed revised budget for the biennium 1996-1997 for the Fund of the United Nations International Drug Control Programme, for project activities, by region and sector 25
11. Proposed revised budget for the biennium 1996-1997 for the Fund of the United Nations International Drug Control Programme, for project activities, by sector and region 26
12. Financial position, 1997-1998 28
13. Number of countries providing voluntary contributions, 1996-1997 31
14. Programme support cost, 1996-1997 34
15. Proposed outline for the biennium 1998-1999 for the Fund of the United Nations International Drug Control Programme and programme support cost 36
16. Financial position, 1998-1999 43

PART ONE. OVERVIEW

I. EXECUTIVE SUMMARY

1. The present report of the Executive Director contains the proposed revised budget for the biennium 1996-1997 and the proposed outline for the biennium 1998-1999 funded from extrabudgetary resources of the United Nations International Drug Control Programme (UNDCP), including the Fund of the United Nations International Drug Control Programme and programme support cost. The report is presented in accordance with Commission on Narcotic Drugs resolution 13 (XXXVI).

2. The General Assembly, in its resolution 45/179, established UNDCP as the single body responsible for concerted international action in the field of drug abuse control. The Commission provides legislative overview and policy guidance to UNDCP and, in accordance with General Assembly resolution 46/185 C, section XVI, paragraph 2, approves the budget of the Fund of UNDCP and programme support cost. The activities are an integral part of UNDCP, which also carries out work under the regular budget of the United Nations. The regular programme budget of UNDCP for the biennium 1996-1997 was approved by the General Assembly in its resolution 50/215 A on the basis of the proposal by the Secretary-General.[1] Moreover, international drug control is a priority programme of the medium-term plans covering the bienniums 1996-1997 and 1998-1999. A detailed description of the organizational structure of UNDCP is provided in annex I to the present report.

A. Proposed revised budget for the biennium 1996-1997 and proposed outline for the biennium 1998-1999

3. The initial budget for the biennium 1996-1997 has been revised from $152,448,500* to $141,235,100, and resources amounting to $162,298,000 have been allocated for the outline period 1998-1999, as shown in table 1. The revision reflects an increase of $2,664,000 for recosting and a decrease for volume adjustments of $13,877,400. The headquarters and field operation budgets have been maintained at the level of the initial estimates, except for some increases resulting from recosting adjustments. Additional priority requirements have been accommodated and fully offset by corresponding savings, including the strengthening of audit planning, preparation and follow-up at headquarters and the establishment of a regional office at Cairo. A volume adjustment reduction of $13,877,400 for project activities is in accordance with estimated delivery, reflecting a slowdown in programming and delays in project implementation for a few major projects.

4. The proposed outline for the biennium 1998-1999 of $162,298,000 reflects a resource growth of $10,000,000 or 7.0 per cent and an increase of $11,062,900 for recosting. Assisting Governments in fighting drug abuse, production and trafficking will continue to be the main priority. That will require placing renewed emphasis on strengthening the competence of UNDCP in international drug control, supporting accession to and implementation of drug control conventions and promoting subregional cooperation within the context of a balanced approach to international drug control. A programme approach, rather than project support, will be introduced for technical cooperation, and operational concerns will be decentralized from headquarters to the field office network.

B. Financial situation, 1996-1997 and 1998-1999

5. The financial situation in the six-year period 1994-1999 can be characterized by income and programme support charges stagnating at $137,092,800 in the biennium 1994-1995, $130,823,800 in the biennium 1996-1997 and $134,030,000 in the biennium 1998-1999 (see table 2). New fund-raising initiatives

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*References to dollars ($) are to United States dollars.

Table 1. Summary of the proposed revised budget for the biennium 1996-1997 and the proposed outline for the biennium 1998-1999 for the Fund of the United Nations International Drug Control Programme and programme support cost
(Thousands of United States dollars)

Regular budget	*Fund of UNDCP and programme support cost*											
					Volume adjustment		*Proposed revised budget for the*	*Resource growth*		*Total*		*Proposed outline for the*
Initial budget for the biennium 1996-1997	*Segment*	*Initial budget for the biennium 1996-1997*	*Recosting*	*Total after recosting*	*Amount*	*Rate (%)*	*biennium 1996-1997*	*Amount*	*Rate (%)*	*before recosting*	*Recosting*	*biennium 1998-1999*
16 540.2	Headquarters	16 650.8	546.0	17 196.8	--	--	17 196.8	--	--	17 196.8	1 361.5	18 558.3
--	Field operations	14 435.0	490.9	14 925.9	--	--	14 925.9	--	--	14 925.9	1 629.0	16 554.9
--	Project activities	121 362.7	1 627.1	122 989.8	(13 877.4)	(11.2)	109 112.4	10 000.0	9.1	119 112.4	8 072.4	127 184.8
16 540.2	Total	152 448.5	2 664.0	155 112.5	(13 877.4)	(8.9)	141 235.1	10 000.0	7.0	151 235.1	11 062.9	162 298.0

Table 2. Financial situation, 1996-1997 and 1998-1999

	Fund of UNDCP and programme support cost					
	1996-1997	*1998-1999*		*31 December 1995*	*31 December 1997*	*31 December 1999*
Income/Programme support charges	130 823.8	134 030.0	Operating reserve	10 024.3	12 000.0	12 000.0
Expenditure	141 235.1	162 298.0	Fund balance	63 337.9	50 950.9	22 682.9
+/(-) Operational results	(10 411.3)	(28 268.0)				

were launched in the biennium 1996-1997, in particular targeted fund-raising efforts based on the paper entitled "The financing system and principles of 'ownership' of UNDCP". Moreover, UNDCP concluded in 1996 for the first time an agreement enabling funds derived from assets confiscated from drug traffickers to be contributed to UNDCP. Initial results from the new fund-raising efforts have prevented a further decline in income for the biennium 1996-1997. With an excess fund balance of $63,337,900 on 31 December 1995 at the start of the period, expenditure will be maintained at a level to allow for the fund balance to be reduced to $50,950,900 as of 31 December 1997 and to $22,682,900 as of 31 December 1999. This will also mark the end of an orderly adjustment process, throughout which available resources have been deployed for international drug control in a rational manner. More details on the financial situation in the biennium 1996-1997 are presented in paragraphs 57-77 below.

6. Despite the stagnation of income a number of improvements can be noted. First, the new fund-raising initiatives have yielded promising results and are expected to contribute in the coming bienniums to an improvement in the funding base. The donor base has widened somewhat and this process is expected to continue in the coming years. Finally, cost-sharing contributions have increased considerably. Despite those positive developments, the funding base remains volatile and small; moreover, having such a large share of earmarked contributions limits the flexibility of the Executive Director in responding to priority requirements. Moreover, activities up to 1999 are partly funded through the adjustment of the fund balance. To maintain or even increase the level of activities beyond 1999 would require additional income, in particular general-purpose funds, in excess of the funding currently anticipated. For more details on the financial situation in the biennium 1998-1999, see paragraphs 110-125 below.

II. DRAFT RESOLUTION FOR ADOPTION BY THE COMMISSION ON NARCOTIC DRUGS

7. The following draft resolution, recommended to the Commission on Narcotic Drugs for adoption, summarizes the main issues contained in the present report.

DRAFT RESOLUTION

Revised budget for the biennium 1996-1997 and outline for the biennium 1998-1999 for the Fund of the United Nations International Drug Control Programme and programme support cost

The Commission on Narcotic Drugs,

Bearing in mind the administrative and financial functions entrusted to it by the General Assembly in its resolution 46/185 C, section XVI, paragraph 2, of 20 December 1991,

Having considered the report of the Executive Director of the United Nations International Drug Control Programme containing the proposed revised budget for the biennium 1996-1997 and the proposed outline for the biennium 1998-1999 for the Fund of the United Nations International Drug Control Programme and programme support cost,[1]

Taking into consideration the report of the Advisory Committee on Administrative and Budgetary Questions on the proposed revised budget for the biennium 1996-1997 and the proposed outline for the biennium 1998-1999 for the Fund of the United Nations International Drug Control Programme and programme support cost,[2]

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[1] E/CN.7/1997/9.
[2] E/CN.7/1997/10.

1. *Endorses* the programme and budget strategy for the biennium 1996-1997;

2. *Approves* for headquarters and field operations the revised budget estimates for the biennium 1996-1997 totalling ... United States dollars for the Fund of the United Nations International Drug Control Programme, in accordance with the following areas:

	United States dollars
Headquarters	
Policy-making organs	...
Executive direction and management	...
Programme of work	...
Programme support	...
Field operations	...

3. *Approves also* for headquarters and field operations the revised budget estimates for the biennium 1996-1997 totalling ... United States dollars for programme support cost in accordance with the following areas:

	United States dollars
Headquarters	
Executive direction and management	...
Programme of work	...
Programme support	...
Field operations	...

4. *Takes note* of the revised budget estimates for project activities for the biennium 1996-1997, totalling ... United States dollars, for the Fund of the United Nations International Drug Control Programme;

5. *Takes note also* of the proposed outline for the biennium 1996-1997, totalling .. United States dollars, for the Fund of the United Nations International Drug Control Programme and programme support cost;

6. *Considers* that the proposed outline provides a basis for the submission of the proposed initial budget for the biennium 1998-1999 by the Executive Director of the United Nations International Drug Control Programme.

III. PRESENTATION

8. The presentation follows the budget model utilized in the report of the Executive Director on the proposed final budget and performance report for the biennium 1994-1995 for the Fund of the United Nations International Drug Control Programme and proposed initial budget for the biennium 1996-1997 for the Fund and programme support cost (E/CN.7/1995/21). The UNDCP budget model is compatible with the presentation of the regular budget of the United Nations to facilitate an integrated budget presentation. The proposed revised budget for the biennium 1996-1997 is described in part two of the present report and the proposed outline for the biennium 1998-1999 is described in part three. A compendium containing additional

information on project activities for the biennium 1996-1997 is provided in a conference room paper (E/CN.7/1997/CRP.1). A glossary of terms is provided in annex II to the present report.

9. Improvements to the presentation of the revised budget and outline have been introduced based on guidance received from the Commission on Narcotic Drugs and the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and at the initiative of the Executive Director. Included in those improvements are the following major changes:

(a) Introduction of a new concept in the revised budget identifying volume adjustments to reflect major programmatic and budgetary modifications;

(b) Expansion of the presentation on the financial situation, utilization of a systematic approach to establishing income estimates and introduction of a new reserve policy;

(c) Modification of the outline concept, emphasizing its use as a financial planning tool and in priority-setting;

(d) Streamlining and shortening of the presentation, descriptions of the budget methodology and the organizational structure of UNDCP being included in annexes.

10. A number of additional improvements are elaborated in the report of the Executive Director on the response to requests by the Commission on Narcotic Drugs contained in its resolution 15 (XXXVIII) and related matters (E/CN.7/1997/8), which, together with the present document, will be submitted to the Commission on Narcotic Drugs at its fortieth session. Once approved by the Commission, adjustments will be introduced, starting with the initial budget for the biennium 1998-1999. Those adjustments will include the following:

(a) Distinction between the core and programme support budget for headquarters and field operations, replacing the current distinction between the Fund of UNDCP and programme support cost;

(b) Limiting budget approval by the Commission on Narcotic Drugs to the core and programme support budget, while continuing to provide detailed information on project activities in the context of the budget process;

(c) Identification of the programme support budget on the basis of actual requirements and not on the basis of available programme support resources as is currently the case;

(d) Adjustments to the programme support cost arrangement to increase programme support revenue for UNDCP.

11. Of particular relevance to the presentation of the present report are Commission resolution 14 (XXXVIII) and the ACABQ report on the revised estimates for the biennium 1994-1995 and proposed outlines for the biennium 1996-1997 (E/CN.7/1995/18). Also addressed in the present report are recommendations set forth by the Commission in its resolution 15 (XXXVIII) and by ACABQ in the revised programme budget and performance report for the biennium 1994-1995 and proposed budget for the biennium 1996-1997 (E/CN.7/1995/22) insofar as those recommendations apply to the matters dealt with in the present report. Finally, a response is provided to recommendations by the Board of Auditors relevant to the budget process.

A. Commission on Narcotic Drugs

12. In its resolution 14 (XXXVIII), paragraph 7, the Commission requested the Executive Director to include in future outlines a description of the assumptions and criteria for expected income and a general explanation of the expected expenditures and their relationship to the priorities established by the relevant intergovernmental bodies. In response, a detailed description of the financial situation in the biennium 1998-1999, including assumptions, criteria and general explanations, is given in paragraphs 110-125 below. A clear relationship between outline resources and priorities has been established by elaborating the programmatic priorities within the subprogrammes of the recently approved medium-term plan for the period 1998-2001.

13. In its resolution 15 (XXXVIII), paragraph 15, the Commission requested the Secretary-General to take note of the recommendations contained in the ACABQ report (E/CN.7/1995/22) and to review the financial functioning of UNDCP with regard to the need to promulgate separate financial rules. A review of the financial functioning of UNDCP and draft financial rules of the Fund of UNDCP are provided in the report of the Executive Director (E/CN.7/1997/8, paras. 43-61 and annexes I and II). Should the recommendation be accepted, the Secretary-General would be in a position to promulgate the financial rules in 1997.

14. In its resolution 15 (XXXVIII), paragraph 17, the Commission requested the Executive Director to assess the ability of the programme support cost arrangement to cover the administrative and substantive backstopping of technical cooperation projects. A new programme support arrangement for the Fund of UNDCP has been proposed in the report of the Executive Director (E/CN.7/1997/8, paras. 4-21). The new arrangement includes a programme support budget that is based on actual requirements and not on available programme support resources. Since the programme support budget is expected to exceed available programme support resources, the difference would be funded from general-purpose resources. If approved, the new concept would be introduced for the initial budget for the biennium 1998-1999, to be submitted to the Commission at its reconvened fortieth session in December 1997.

B. Advisory Committee on Administrative and Budgetary Questions

15. In its report on the revised estimates for the biennium 1994-1995 and proposed outline for the biennium 1996-1997 (E/CN.7/1995/18, para. 7), ACABQ recommended that a less mechanical approach should be used for arriving at the revised estimates and that expenditure should be examined more in terms of actual requirements and past performance. In order to implement this recommendation, a new concept has been introduced in budget revision, as described in annex III to the present report and in the report of the Executive Director (E/CN.7/1997/8, paras. 33-38). Previously, the initial budget for the biennium was only revised for costing adjustments in line with the biennial character of the budget process. Costing adjustments include changes in standard costs such as exchange rates, inflation rates or standard salary costs. This concept has been expanded by providing for additional revisions in the form of volume adjustments. Volume adjustments include major departures from the approved programme of work, including their programmatic and budgetary implications, as well as major budgetary changes resulting from efficiency measures. The combined result of costing adjustments and volume adjustments align the budget with estimated expenditure, which is seen to address the concern expressed by ACABQ. In order to preserve this biennial character of the budget process, volume adjustments are only introduced if they constitute a major departure from the approved programme of work and/or budgetary provisions.

16. In its report (E/CN.7/1995/18, paras. 9-13 and 16), ACABQ suggested that the budget outline should be considered mainly as a tool for financial planning that allows Member States to know in advance the main indicators of income and expenditure for the next biennium. ACABQ noted that the outline should include a clear description of the assumptions and criteria for the expected income. It recalled its comment that the outline should be a concise document and should not be presented as if it were a detailed budget proposal. ACABQ indicated that the outline should indicate measures planned for the efficient programme delivery as

well as for increased productivity and that provisions should be made to take into account possible delays or difficulties affecting the completion of all projects on schedule. It also indicated that there should be a somewhat deeper comparative analysis between the outline strategy and the strategy of the preceding biennium.

17. The outline concept has been revised in accordance with the recommendation of ACABQ. It contains two main parts. First, as it is a financial planning tool, considerable analysis and details are provided on the financial scenario for the outline period. Increased emphasis on elaborating the financial presentation was included, pursuant to Commission resolution 15 (XXXVIII), paragraph 12. Secondly, the purpose of the outline is to indicate programmatic priorities, not to present a detailed budget proposal. Thus, the information on resource allocation has been limited and the description focuses on the new programme priorities in accordance with the subprogrammes of the medium-term plan for the period 1998-2001. Emphasis has been placed on what is new in the outline period as compared with the preceding biennium. In addition, reference has been made to major management issues, such as the move from a project to a programme approach and the structure of the field office network and its relationship to headquarters. In summary, the outline projects a strategic vision that can serve as a basis for elaborating a detailed budget proposal.

18. In its report on the revised programme budget and performance report for the biennium 1994-1995 and proposed budget for the biennium 1996-1997 (E/CN.7/1995/22, para. 3), ACABQ suggested that the budget document should be streamlined, made more concise, yet transparent, by eliminating lengthy descriptions of the data contained in the tables, by shortening narratives, by avoiding unnecessary repetition in various sections of the document and by consolidating tables. The document has since been streamlined according to the recommendations, in particular by eliminating lengthy descriptions of data contained in the tables and by avoiding repetition in the text as far as possible. In addition, details on mandates and organization have been moved to the annex of the document.

19. In the same report (E/CN.7/1995/22, para. 20), ACABQ expressed the view that the presentation of budget estimates for the biennium 1996-1997 was misleading and should be discontinued. It noted that the methodology used for the recosting of the budget was faulty, leading to large overestimates. In particular, ACABQ recommended that budget estimates for the forthcoming period should be considered on the basis of expenditure estimates for the preceding period. The recommendation is discussed in detail in the report of the Executive Director on the response to requests by the Commission contained in its resolution 15 (XXXVIII) (E/CN.7/1997/8, paras. 32-37). Essentially, the budget for the forthcoming period was previously compared with the revised budget of the preceding period. Since the revised budget was only modified for costing assumptions, estimated expenditure could differ considerably from the revised budget. As a result, the comparison between the forthcoming and preceding period did not take into account information on expenditure. As outlined above, the budget methodology has been modified by introducing volume adjustments for the revised budgets which align budget estimates with estimated expenditure. A comparison between budget estimates for the forthcoming period would therefore be on the basis of expenditure-based estimates for the preceding period. As a result, it appears that the recommendation of ACABQ, as expressed in paragraph 20 of its report (E/CN.7/1995/22), has already been met through the introduction of volume adjustments in the revised budget.

20. In its report (E/CN.7/1995/22, para. 34), ACABQ expressed its belief that, given the magnitude of the extrabudgetary resources of UNDCP and the distinctive features of the programme of UNDCP, the Secretary-General should review the experience of the operations of the Fund of UNDCP, including the requirements for an operational reserve, and accordingly promulgate, as necessary, Financial Rules for the Fund of UNDCP in accordance with the Financial Regulations of the United Nations. The Committee on Narcotic Drugs, in its resolution 15 (XXXVIII), requested the Secretary-General to take note of the recommendations of ACABQ. In response, the experience of the operations of the Fund of UNDCP has been reviewed and separate financial rules are recommended in the report of the Executive Director (E/CN.7/1997/8).

C. Board of Auditors

21. The budgetary planning and reporting for the Fund of UNDCP in the biennium 1994-1995 was also the subject of a review by the Board of Auditors. In its report,[2] the Board was pleased to note a number of improvements in the UNDCP budget presentation for the biennium 1996-1997, one of the most significant improvements being the utilization of costed workplans for budget preparation, and the clear relationship between budget proposals and mandates.

22. With regard to performance reporting, the Board recommended in its report[3] that UNDCP should consider new ways of presenting actual programme delivery for the biennium. A detailed proposal to adjust performance reporting is presented in the report of the Executive Director (E/CN.7/1997/8, paras. 38-42). Essentially, it includes the continuation of the current submission of a biennial performance report as part of the final budget, which is prepared approximately six months prior to the end of the biennium. This would be followed by the submission of a performance report on actual programme delivery for the remaining six months as part of the report of the Executive Director that is provided in the audited financial statements. This approach would preserve the benefit of providing performance assessments in the budget process while avoiding duplication of reporting. Moreover, the joint submission of the concluding performance report on programme delivery, together with the audited financial information, would constitute a comprehensive and authoritative biennial performance report on the budget and programme.

23. The audit opinion on the biennium 1994-1995 included a technical qualification. It was noted that at the date of the finalization of the financial statement of UNDCP, programme expenditure amounting to $6,077,775, out of a total of $102,876,710 incurred by executing agencies, was not supported by audited statements. In its report,[4] the Board of Auditors recommended that UNDCP should take action to ensure timely receipt of audit certificates from executing agencies. Similar observations formed part of the audit opinion for other United Nations funds and programmes, including the United Nations Environment Programme, the United Nations Development Programme (UNDP) and the United Nations Population Fund (UNFPA).

24. UNDCP has undertaken a number of steps to improve the situation. As acknowledged by the Board of Auditors, UNDCP incorporated a formal requirement into its agreements with executing agencies that audited statements are to be submitted at the end of the period. If an executing agency does not comply with this requirement in a timely fashion, reminders are sent on a regular basis. It has recently been decided that, should no satisfactory response be forthcoming, the executing organization will be excluded from further project funding. Apart from the need for executing agencies to comply with audit requirements, however, there is clearly a problem of timing. Even if the executing agency has the same financial period as UNDCP, a number of non-governmental organizations will not have audited statements available in time prior to the conclusion of the audit of UNDCP. Thus, such statements can only be made available at a later stage. This is a problem affecting all United Nations funds and programmes. UNDCP therefore fully supports the view of ACABQ, stated in the report of ACABQ (A/51/533, para. 24), that the executive heads of the funds and programmes should meet and exchange views, preferably in the context of the Administrative Committee on Coordination, to address that issue.

PART TWO. PROPOSED REVISED BUDGET AND FINANCIAL SITUATION FOR THE BIENNIUM 1996-1997

25. The revised budget amounts to $141,235,100 for the biennium 1996-1997, reflecting a decrease of $11,213,400 compared with the initial budget of $152,448,500. The headquarters and field operation budget is maintained at the level of the initial budget, except for some increases resulting from recosting adjustments. Additional priority requirements of headquarters and field operations were accommodated and fully offset by corresponding savings. Project activities were adjusted for recosting and decreased in accordance with

estimated project delivery. A summary of the revised budget is shown in table 3 by segment and in table 4 by post requirements.

Table 3. Summary of the proposed revised budget for the biennium 1996-1997 for the Fund of the United Nations International Drug Control Programme and programme support cost, by segment
(Thousands of United States dollars)

Regular budget	*Fund of UNDCP and programme support cost*						
Initial budget	*Segment*	*Initial budget*	*Recosting*	*Total after recosting*	*Volume adjustment* *Amount*	*Rate (%)*	*Proposed revised budget*
			A. Fund of UNDCP				
16 540.2	Headquarters	13 936.3	391.1	14 327.4	(175.8)	(1.2)	14 151.6
--	Field operations	13 818.9	436.1	14 255.0	(488.4)	(3.4)	13 766.6
--	Project activities	121 362.7	1 627.1	122 989.8	(13 877.4)	(11.2)	109 112.4
16 540.2	Total, A	149 117.9	2 454.3	151 572.2	(14 541.6)	(9.5)	137 030.6
			B. Programme support cost				
--	Headquarters	2 714.5	154.9	2 869.4	175.8	6.1	3 045.2
--	Field operations	616.1	54.8	670.9	488.4	72.8	1 159.3
--	Total, B	3 330.6	209.7	3 540.3	664.2	18.7	4 204.5
			C. Fund of UNDCP and programme support cost				
16 540.2	Headquarters	16 650.8	546.0	17 196.8	--	--	17 196.8
--	Field operations	14 435.0	490.9	14 925.9	--	--	14 925.9
--	Project activities	121 362.7	1 627.1	122 989.8	(13 877.4)	(11.2)	109 112.4
16 540.2	Grand total, A and B	152 448.5	2 664.0	155 112.5	(13 877.4)	(8.9)	141 235.1

26. The budget revision includes the concept of recosting adjustments and volume adjustments, as outlined in annex III to the present report. Moreover, the presentation is incremental and highlights areas of change only, with no presentation of budget and activities approved in the context of the initial budget and not affected by the revision.

27. *Recosting adjustments*, resulting in an increase of $2,664,000, include the following: increase for changes in inflation amounting to $3,241,700, partly offset by a decrease for changes in exchange rates amounting to $1,670,700; and an increase for lower vacancy rates for posts at headquarters and field operations amounting to $1,093,000.

28. *Volume adjustments*, resulting in a net decrease of $13,877,400, are introduced to the three main parts of the budget as follows:

Table 4. Summary of the proposed revised budget for the biennium 1996-1997 for the Fund of the United Nations International Drug Control Programme and programme support cost, by post requirements

Regular budget		*Fund of UNDCP*		*Programme support cost*		*Total*	
Initial budget	*Post level*	*Initial budget*	*Proposed revised budget*	*Initial budget*	*Proposed revised budget*	*Initial budget*	*Proposed revised budget*
Headquarters							
		A. Professional category and above					
1	USG	--	--	--	--	--	--
1	D-2	2	2	--	--	2	2
2	D-1	5	5	--	--	5	5
6	P-5	7	7	--	--	7	7
26	P-4/3	9	9	7	8	16	17
9	P-2/1	5	5	1	1	6	6
45	Total, A	28	28	8	9	36	37
		B. General Service category					
3	Principal level	2	2	--	--	2	2
25	Other levels	25	25	8	8	33	33
28	Total, B	27	27	8	8	35	35
73	Total, A and B	55	55	16	17	71	72
Field operations							
		C. Professional category and above					
--	D-2	1	1	--	--	1	1
--	D-1	3	3	--	--	3	3
--	P-5	14	14	--	--	14	14
--	P-4/3	12	11	3	4	15	15
--	P-2/1	31	1	--	--	1	1
--	Total, C	31	30	3	4	34	34
		D. Local category					
--	National programme officer	19	18	1	2	20	20
--	Local level	65	63	3	5	68	68
--	Total, D	84	81	4	7	88	88
--	Total, C and D	115	111	7	11	122	122
73	Grand total, A, B, C and D	170	166	23	28	193	194

(a) *Headquarters:* the strengthening of audit planning, preparation and follow-up, including the establishment of a P-3/4 post, as well as additional temporary staff support, fully offset by anticipated savings in consultants, travel and general operating expenses;

(b) *Field operations:* establishment of a regional office at Cairo, fully offset by anticipated savings from field office budgets and within the approved staffing table;

(c) *Project activities:* a decrease in project volume by $13,877,400 to $109,112,400, corresponding to a decrease in estimated project delivery.

29. The revised budget of $141,235,100 and the adjustments of $11,213,400 consist of the following: a headquarters budget of $17,196,800, reflecting an increase for recosting of $546,000; a field operations budget of $14,925,900, reflecting an increase for recosting of $490,900; and a project activities budget of $109,112,400, reflecting an increase for recosting of $1,627,100 and a decrease for volume adjustments of $13,877,400.

30. Requirements for headquarters and field operations are supported from the budget for the Fund of UNDCP (the Fund budget) and a programme support cost budget; project activities are covered under the Fund budget. As a result of implementing the volume and recosting adjustments, the revised Fund budget amounts to $137,030,600, reflecting a decrease of $12,087,300 compared with the initial budget of $149,117,900. The revised programme support cost budget amounts to $4,204,500 and includes an increase of $873,900 compared with the initial budget of $3,330,600.

31. The recosting adjustments for the Fund budget and the programme support cost budget were separately reflected under each of the budgets. The same applies for volume adjustments relating to project activities which are fully reflected under the initial budget. For headquarters and field operations, the volume adjustments were implemented differently. Requirements were redeployed from the Fund budget to the programme support cost budget, while maintaining the overall budget level. The increase in the programme support cost budget was made possible through additional programme support income of $747,800 following the implementation of the programme support policy described in the note by the Executive Director on the programme support cost arrangement of the Fund of UNDCP (E/CN.7/1993/15). The reduction in the Fund budget reduced the requirements for general-purpose funds. Additional details on programme support income are provided in paragraphs 75-77 below. Moreover, the inclusion of activities within the programme support cost budget is in line with the proposed definition of activity clusters distinguishing between core and programme support activities and elaborated in the report of the Executive Director (E/CN.7/1997/8). Once approved, the new classification will be implemented fully for the initial budget for the biennium 1998-1999.

32. The budget for programme support activities is established in accordance with available programme support charges. Actual programme support requirements are considerably higher and a new arrangement for calculating and funding the programme support cost budget has been presented in the report of the Executive Director (E/CN.7/1997/8, paras. 4-21). Once approved by the Commission, the new arrangement could be implemented in the initial budget for the biennium 1998-1999. The revised budget is presented below for headquarters, field operations and project activities, including the Fund budget and the programme support cost budget.

IV. HEADQUARTERS: THE FUND BUDGET AND THE PROGRAMME SUPPORT COST BUDGET

33. The revised budget for the biennium 1996-1997 for headquarters amounts to $17,196,800, compared with the approved initial budget for the biennium 1996-1997 of $16,650,800. This reflects an increase for recosting of $546,000. In addition, volume adjustments are introduced to accommodate additional priority

requirements without an impact on overall budget level. Details on the revised budget for headquarters are shown in table 5 by programme and in table 6 by object of expenditure.

Table 5. Proposed revised budget for the biennium 1996-1997 for the Fund of the United Nations International Drug Control Programme and programme support cost, for Headquarters, by programme
(Thousands of United States dollars)

Regular budget	*Fund of UNDCP and programme support cost*						
Initial budget	*Programme*	*Initial budget*	*Recosting*	*Total after recosting*	*Volume adjustment* *Amount*	*Rate (%)*	*Proposed revised budget*
			A. Fund of UNDCP				
933.8	Policy-making	99.6	(1.5)	98.1	(16.5)	(16.8)	81.6
1 523.0	Executive direction and management	3 146.3	100.5	3 246.8	(108.7)	(3.3)	3 138.1
14 083.4	Programme of work	7 531.7	192.3	7 724.0	(61.6)	(0.8)	7 662.4
--	Programme support	3 158.7	99.8	3 258.5	11.0	0.3	3 269.5
16 540.2	Total, A	13 936.3	391.1	14 327.4	(175.8)	(1.2)	14 151.6
			B. Programme support cost				
--	Executive direction and management	176.5	19.3	195.8	--	--	195.8
--	Programme of work	1 728.6	109.4	1 838.0	--	--	1 838.0
--	Programme support	809.4	26.2	835.6	175.8	21.0	1 011.4
	Total, B	2 714.5	154.9	2 869.4	175.8	6.1	3 045.2
			C. Fund of UNDCP and programme support cost				
933.8	Policy-making	99.6	(1.5)	98.1	(16.5)	(16.8)	81.6
1 523.0	Executive direction and management	3 322.8	119.8	3 442.6	(108.7)	(3.1)	3 333.9
14 083.4	Programme of work	9 260.3	301.7	9 562.0	(61.6)	(0.6)	9 500.4
--	Programme support	3 968.1	126.0	4 094.1	186.8	4.5	4 280.9
16 540.2	Grand total, A and B	16 650.8	546.0	17 196.8	--	--	17 196.8

Table 6. Proposed revised budget for the biennium 1996-1997 for the Fund of the United Nations International Drug Control Programme and programme support cost, for Headquarters, by object of expenditure
(Thousands of United States dollars)

Regular budget		*Fund of UNDCP and programme support cost budget*					
Initial budget	*Object of expenditure*	*Initial budget*	*Recosting*	*Total after recosting*	*Volume adjustment* *Amount*	*Rate (%)*	*Proposed revised budget*
			A. Fund of UNDCP				
13 724.7	Posts	9 510.6	441.1	9 951.7	--	--	9 951.7
258.7	Other staff	159.7	(4.3)	155.4	150.0	96.5	305.4
548.0	Consultants and experts	635.1	(1.2)	633.9	(100.0)	(15.7)	533.9
1 152.9	Travel	1 011.0	(15.7)	995.3	(170.0)	(17.0)	825.3
480.4	Contractual services	118.2	(1.3)	116.9	--	--	116.9
71.3	General operating expenses	875.1	(19.9)	855.2	(55.8)	(6.5)	799.4
190.6	Supplies and materials	95.0	(2.3)	92.7	--	--	92.7
113.6	Equipment	216.8	(5.3)	211.5	--	--	211.5
--	Other expenditure	1 314.8	--	1 314.8	--	--	1 314.8
16 540.2	Total, A	13 936.3	391.1	14 327.4	(175.8)	(1.2)	14 151.6
			B. Programme support cost				
--	Posts	2 294.5	154.9	2 449.4	175.8	7.1	2 625.2
--	Other	420.0	0.0	420.0	--	--	420.0
--	Total, B	2 714.5	154.9	2 869.4	175.8	6.1	3 045.2
			C. Fund of UNDCP and programme support cost				
13 724.7	Posts	11 805.1	596.0	12 401.1	175.8	1.4	12 576.9
258.7	Other staff	159.7	4.3	155.4	150.0	96.5	305.4
548.0	Consultants and experts	635.1	(1.2)	633.9	(100.0)	(15.7)	533.9
1 152.9	Travel	1 011.0	(15.7)	995.3	(170.0)	(17.0)	825.3
480.4	Contractual services	118.2	(1.3)	116.9	--	--	116.9
71.3	General operating expenses	875.1	(19.9)	855.2	(55.8)	(6.5)	799.4
190.6	Supplies and materials	95.0	(2.3)	92.7	--	--	92.7
113.6	Equipment	216.8	(5.3)	211.5	--	--	211.5
--	Other expenditure	1 734.8	0.0	1 734.8	--	--	1 734.8
16 540.2	Grand total, A and B	16 650.8	546.0	17 196.8	--	--	17 196.8

A. Recosting adjustments

34. The increase in recosting of $546,000 covers increases for posts amounting to $596,000 and decreases for other objects of expenditure amounting to $50,000. Increases for posts of $596,000 are attributed to lower vacancies for posts in the Professional category and above, as well as for General Service posts. Decreases in other objects of expenditure of $50,000 reflect decreases for changes in exchange rates of $45,200 and changes in inflation rates of $4,800. Decreases in exchange rates reflect the strengthening of the United States dollar against the schilling.

B. Volume adjustments

35. The budget for headquarters includes the following volume adjustments with no implications on the approved level of total resources:

(a) An increase of $175,800 for the strengthening of audit planning, preparation and follow-up, including one additional P-3/4 post;

(b) An increase of $150,000 for additional temporary staff support;

(c) A decrease of $325,800 for anticipated savings in consultants, travel and general operating expenses.

36. The volume adjustments result in a redeployment of resources between programme components to programme support, as shown in table 5, and between objects of expenditure, as shown in table 6. Both tables also show, in particular, the shift of requirements from the Fund budget to the programme support cost budget. Detailed adjustments are described below:

1. Strengthening of audit planning, preparation and follow-up

37. It is proposed to strengthen the capacity for audit planning, preparation and follow-up by establishing a P-3/4 post at a cost of $175,800 in the Programme Support Section of UNDCP.

38. The Fund of UNDCP and programme support cost are audited by the Office of Internal Oversight Services of the Secretariat and the Board of Auditors. Acknowledging the importance of this function, the Commission on Narcotic Drugs has approved for the biennium 1996-1997 a new provision of $314,800 for the reimbursement of audit services provided by the Office of Internal Oversight Services. The reimbursement is utilized by the Office to fund a P-4 audit post in the European Section of the Audit and Management Control Division at Geneva, together with related support resources. Within UNDCP, the Finance Officer currently coordinates all audit matters, in addition to the main accounting and fund management function. In discussions with the Under-Secretary-General for Internal Oversight Services, it was concluded that UNDCP should strengthen as soon as possible its capacity for audit planning, preparation and follow-up. That would be the responsibility of the person occupying the proposed P-3/4 post; that person would also act as interlocutor with the Office of Internal Oversight Services and the Board of Auditors on all audit matters. The post would be located in the Programme Support Section of UNDCP. The request to strengthen UNDCP in this area also complies with the recent observation of ACABQ (A/51/533, para. 19) that the audit function needs to be given greater attention and that necessary staff resources should be provided.

2. Additional temporary staff support

39. It is proposed to increase the provision for general temporary assistance by $150,000 in addition to the $155,400 of the recosted initial budget. In order to respond to peak workloads, it is considered less costly

to make use of temporary staff support than to utilize staff funded through established posts. In particular the need to respond to ad hoc operational requirements calls for flexibility in deploying human resources. The requested increase in general temporary assistance resources is based on recent experience of actual requirements and would result, for example, in reducing the time required to respond to programming opportunities.

3. Anticipated savings in consultants, travel and general operating expenses

40. It is proposed to decrease the resources for consultants by $100,000, for travel by $170,000 and for general operating expenses by $55,800. The decrease in resources for consultants is made possible by rationally allocating requirements between the Fund budget and the budget of individual projects. Moreover, in augmenting the drug control expertise of UNDCP, technical reports and project proposals are increasingly being prepared by its staff, thereby lessening the need for consultants. The reduction in travel resources has been made possible by introducing a new planning arrangement that optimizes and coordinates all mission requirements of UNDCP. The decrease of $170,000 for travel has been made possible by introducing a new forward-looking planning system for travel. The system delegates planning responsibility to the lowest level of management and ensures that missions are scheduled in such a way as to secure the most economic travel arrangement. Moreover, with the establishment of an effective field office structure, the need for travel resources has declined as advisory services and backstopping of field projects are being provided directly by field office staff instead of by headquarters staff. Finally, the proposed reduction in resources for general operating expenses of $55,800 reflect the latest estimates for actual requirements. These savings are not considered to have an impact on the approved programme of work.

C. Introduction of volume adjustments in the Fund budget and the programme support cost budget

41. The volume adjustments have no impact on the level of the approved total budget: additional requirements are offset by savings. This is achieved by absorbing some requirements within the Fund budget and the redistribution of resources from the Fund budget to the programme support cost budget as follows:

(a) *Fund budget:* A decrease of $175,800, reflecting a decrease in consultants of $100,000, a decrease in travel of $170,000 and a decrease in general operating expenses of $55,800, partly offset by an increase in other staff costs (general temporary assistance) of $150,000;

(b) *Programme support cost budget:* An increase of $175,800 covering the establishment of one P-3/4 post.

D. Implications of volume adjustments for the programme of work

42. The programmatic implications are indicated according to the presentation introduced for the initial budget for the biennium 1996-1997. Accordingly, the provision of additional temporary staff support and the anticipated savings do not lead to a revision of the approved programme of work. The strengthening of the audit planning, preparation and follow-up has the following implications for the programme of work:

Programme support cost budget

Internal services: prepare audit plans for discussion with internal and external auditors (2 in 1997); prepare missions of internal and external auditors (4 in 1997); and follow up and facilitate the implementation of audit recommendations (3 in 1997).

V. FIELD OPERATIONS: THE FUND BUDGET AND THE PROGRAMME SUPPORT COST BUDGET

43. The proposed revised budget for the biennium 1996-1997 for field operations amounts to $14,925,900, compared with the approved initial budget for the biennium 1996-1997 of $14,435,000, reflecting an increase for recosting of $490,900. In addition, volume adjustments are introduced to accommodate additional priority requirements without an impact on overall budget level. Details on the proposed revised budget for field operations are shown in table 7 by region and in table 8 by object of expenditure.

Table 7. Proposed revised budget for the biennium 1996-1997 for the Fund of the United Nations International Drug Control Programme and programme support cost, field operations, by region
(Thousands of United States dollars)

Regular budget		*Fund of UNDCP and programme support cost*					
Initial budget	*Region*	*Initial budget*	*Recosting*	*Total after recosting*	*Volume adjustment* *Amount*	*Rate (%)*	*Proposed revised budget*
		A. Fund of UNDCP					
--	Africa	2 339.3	36.7	2 376.0	67.5	2.8	2 443.5
--	Asia and the Pacific	5 331.1	141.2	5 472.3	(242.6)	(4.4)	5 229.7
--	Europe and the Middle East	1 132.4	11.8	1 144.2	(20.5)	(1.7)	1 123.7
--	Latin America and the Caribbean	5 016.1	246.4	5 262.5	(292.8)	(5.5)	4 969.7
--	Total, A	13 818.9	436.1	14 255.0	(488.4)	(3.4)	13 766.6
		B. Programme support cost					
--	Africa	22.7	4.0	26.7	488.4	1 828.2	515.1
--	Asia and the Pacific	236.5	15.1	251.6	--	--	251.6
--	Latin America and the Caribbean	356.9	35.7	392.6	--	--	392.6
--	Total, B	616.1	54.8	670.9	488.4	72.8	1 159.3
		C. Fund of UNDCP and programme support cost					
--	Africa	2 362.0	40.7	2 402.7	555.9	23.1	2 958.6
--	Asia and the Pacific	5 567.6	156.3	5 723.9	(242.6)	(4.2)	5 481.3
--	Europe and the Middle East	1 132.4	11.8	1 144.2	(20.5)	(1.7)	1 123.7
--	Latin America and the Caribbean	5 373.0	282.1	5 655.1	(292.8)	(5.1)	5 362.3
--	Grand total, A and B	14 435.0	490.9	14 925.9	--	--	14 925.9

Table 8. Proposed revised budget for the biennium 1996-1997 for the Fund of the United Nations International Drug Control Programme and programme support cost, field operations, by object of expenditure
(Thousands of United States dollars)

Regular budget	*Fund of UNDCP and programme support cost*						
Initial budget	*Object of expenditure*	*Initial budget*	*Recosting*	*Total after recosting*	*Volume adjustment* *Amount*	*Rate (%)*	*Proposed revised budget*
			A. Fund of UNDCP				
--	Posts	9 889.0	442.2	10 331.2	(282.7)	(2.7)	10 048.5
--	Travel	802.9	(2.4)	800.5	(25.0)	(3.1)	775.5
--	General operating expenses	2 326.8	(1.3)	2 325.5	(124.6)	(5.3)	2 200.9
--	Supplies and materials	377.1	(1.2)	375.9	(11.0)	(2.9)	364.9
--	Furniture	8.0	0.0	8.0	(1.1)	(13.7)	6.9
	Equipment	415.1	(1.2)	413.9	(44.0)	(10.6)	369.9
--	Total, A	13 818.9	436.1	14 255.0	(488.4)	(3.4)	13 766.6
			B. Programme support cost				
--	Posts	616.1	54.8	670.9	338.4	50.4	1 009.3
--	Travel	--	--	--	25.0	--	25.0
--	General operating expenses	--	--	--	52.0	--	52.0
--	Supplies and materials	--	--	--	11.0	--	11.0
--	Furniture	--	--	--	18.0	--	18.0
--	Equipment	--	--	--	44.0	--	44.0
--	Total, B	616.1	54.8	670.9	488.4	72.8	1 159.3
			C. Fund of UNDCP and programme support cost				
--	Posts	10 505.1	497.0	11 002.1	55.7	0.5	11 057.8
--	Travel	802.9	(2.4)	800.5	--	--	800.5
--	General operating expenses	2 326.8	(1.3)	2 325.5	(72.6)	(3.1)	2 252.9
--	Supplies and materials	377.1	(1.2)	375.9	--	--	375.9
--	Furniture	8.0	0.0	8.0	16.9	211.2	24.9
--	Equipment	415.1	(1.2)	413.9	--	--	413.9
--	Grand total, A and B	14 435.0	490.9	14 925.9	--	--	14 925.9

A. Recosting adjustments

44. The increase in recosting of $490,900 covers increases for posts amounting to $497,000 and decreases for other objects of expenditure amounting to $6,100. Increases for posts of $497,000 are attributed to lower vacancies for posts in the Professional category and above, as well as in the local category as initially anticipated. Decreases in other objects of expenditure of $6,100 reflect decreases for changes in exchange rates of $151,700, partly offset by increases in changes in inflation rates of $145,600. Table 4 shows posts in the 100 series (D/P-posts) for the field office networks, compared with the posts in the 200 series (L-posts) shown for the initial budget. The change reflects the conversion of the post series in accordance with the approved personnel policy of UNDCP and has no budgetary implications.

B. Volume adjustments

45. The budget for field operations includes the following volume adjustments with no implications for the approved level of total resources:

(a) An increase of $756,400 for establishing a regional office at Cairo;

(b) A decrease of $756,400 for anticipated savings from field office budgets and within the approved staffing table.

46. The volume adjustments result in a redeployment of resources between regions, between objects of expenditure and between the Fund budget and the programme support cost budget as shown in tables 7 and 8. The redeployment between regions results in a net increase of $555,900 for Africa, fully offset by reductions in other regions. The redeployment between objects of expenditure results in a net increase for posts of $55,700 and for furniture of $16,900, fully offset by a decrease in general operating expenses of $72,600. The increase for posts is due to different standard costs in various duty stations. The volume adjustments are accommodated by a reduction in the Fund budget of $488,400 and an increase in the programme support cost budget of the same amount. Detailed adjustments are described below:

1. Regional office at Cairo

47. It is proposed to establish a regional office at Cairo at a total cost of $756,400, including staff cost of $606,400 for one D-1 post (Director of the Regional Office), one P-3 post (Drug Control Officer), one National Programme Officer post and two Local category posts; and resources of $150,000 for other objects of expenditure, including travel of $25,000, general operating expenses of $52,000, supplies and materials of $11,000, furniture of $18,000 and equipment of $44,000.

48. The proposal is advanced in view of the growing portfolio of drug control projects and activities and the evolving drug abuse situation in the Middle East, northern Africa and the member States of the Cooperation Council for the Arab States of the Persian Gulf. In accordance with the initial plan on the development of the field office networks, the opening of the Cairo office would be preceded by the closing of the UNDCP office in Lebanon with effect on 31 December 1996. As anticipated, the evolution of the drug control programme in Lebanon did not justify the continuation of the office. The Cairo office would have responsibility for the full spectrum of UNDCP concerns in the region, covering the overall policy, programme and coordination matters of UNDCP. In particular, the office would develop and implement assistance programmes; monitor and backstop activities in the region, develop activities within the framework of the Middle East subregional cooperation programme and increase cooperation between the member States of the Cooperation Council for the Arab States of the Persian Gulf and the rest of the Middle East and northern Africa. The office would collect and analyse information on socio-economic and related developments of relevance to drug control issues, policies and programmes and would prepare reports on drug control activities. Cairo was selected to be the site of the proposed regional office for various reasons, such as its

excellent travel and communication facilities for the region and its proximity to major United Nations and other partner organizations, including the United Nations Office for Project Services and UNDP.

2. Anticipated savings

49. It is proposed to identify savings of $756,400, corresponding to the requirements of establishing the proposed Cairo office. The required posts for the Cairo office would be established by reducing an equal number of posts at the same level from the staffing table of existing field offices. Due to changes in standard costs between different duty stations, the redeployment would result in additional costs of $55,700. In addition, the requirements for the Cairo office for travel, general operating expenses, supplies and materials, furniture and equipment would amount to $150,000. The increase of $205,700 would be fully offset by savings. The net effect of the redeployment would be an increase for posts of $55,700 and furniture of $16,900, fully offset by a decrease in general operating expenses of $72,600.

50. The flexibility in identifying such savings has been made possible through the initial experience gained after the restructuring of field operations approved by the Commission on Narcotic Drugs in the context of the initial budget for the biennium 1996-1997. The office network was streamlined, emphasis being given to local expertise by converting international posts to national programme officer posts and greater attention being placed on decentralization of operational concerns and delegation of authority in programme design and management. Following the implementation of this concept, it was possible to identify savings throughout the existing office network that could be utilized for establishing a regional office at Cairo.

C. Introduction of volume adjustments in the Fund budget and the programme support cost budget

51. The volume adjustments have no impact on the level of the approved total budget: additional requirements are offset by savings. This is achieved through absorption of some requirements within the Fund budget and the redistribution of other resources from the Fund budget to the programme support cost budget. Essentially, only the D-1 post is maintained under the Fund budget; all other requirements are established under the programme support cost budget. The distribution between the Fund budget and the programme support cost budget, including the considerable increase in the latter, is in line with the proposed definition of activity clusters distinguishing between core and programme support activities elaborated in the report of the Executive Director (E/CN.7/1997/8). Once approved, the new classification will be implemented fully for the initial budget for the biennium 1998-1999. The detailed adjustments are outlined below:

(a) *Fund budget:* A decrease of $488,400, reflecting a decrease of $282,700 for staff, including $318,800 for the reduction of one P-3 post, one National Programme Officer post and two Local category posts that is partly offset by an increase of $36,100 associated with the redeployment of a D-1 post to the Regional Office at Cairo, and a decrease of $205,700 for other objects of expenditure, including travel ($25,000), general operating expenses ($124,600), supplies and material ($11,000), furniture ($1,100) and equipment ($44,000);

(b) *Programme support cost budget:* An increase of $488,400, reflecting an increase of $338,400 for one P-3 post, one National Programme Office post and two Local category posts and an increase of $150,000 for travel ($25,000), general operating expenses ($52,000), supplies and material ($11,000), furniture ($18,000) and equipment ($44,000).

D. Implications of volume adjustments for the programme of work

52. The identified decreases are absorbed without a revision of the approved programme of work. The establishment of the proposed regional office at Cairo would have the following implications for the 1997 programme of work:

(a) *Fund budget:*

(i) *Advisory services*: function as principal adviser on drug control issues to the Governments in the region (1997);

(ii) *Resource mobilization*: undertake resource mobilization initiatives in particular with member States of the Cooperation Council for the Arab States of the Persian Gulf (1997); and organize and participate in meetings of the donor community (1997);

(iii) *Coordination, harmonization and liaison*: participate in inter-agency meetings (1997); and provide support for coordination of drug control assistance with bilateral aid agencies and non-governmental organizations (1997);

(b) *Programme support cost budget:*

Technical backstopping of projects: monitor ongoing projects (1997); develop, identify and recommend drug control projects to be developed within the country programme framework (1997); and negotiate and determine project execution and project funding modalities (3 in 1997).

VI. PROJECT ACTIVITIES: THE FUND BUDGET

53. The revised budget for the biennium 1996-1997 for project activities amounts to $109,112,400, compared with the approved initial budget for the biennium 1996-1997 of $121,362,700, reflecting an increase for recosting of $1,627,100 and a decrease for volume adjustments of $13,877,400. Budgetary information on the revised budget for project activities by sector, region and object of expenditure are shown in table 9. In addition, a detailed breakdown of budgetary allocations by region and sector is given in tables 10 and 11. Finally, a conference room paper (E/CN.7/1995/CRP.1) provides a compendium of ongoing projects during the period 1996-1997, illustrating their status as of 1 December 1996; it is an update of the compendium of ongoing projects during the bienniums 1994-1995 and 1996-1997 (E/CN.7/1995/21/Add.1), which was submitted in the context of the proposed initial budget for the biennium 1996-1997.

A. Recosting adjustments

54. The increase in recosting of $1,627,100 covers increases in inflation rates amounting to $3,100,900, partly offset by decreases for changes in exchange rates amounting to $1,473,800. Inflation rates of local currencies were considerably higher compared with initial estimates. That was partly offset by a weakening of local currencies compared with the United States dollar. This general picture differs somewhat from region to region, there being a particular high rate for recosting for Europe and the Middle East. The recosting calculation for project activities was restricted as a result of unreliable or strongly fluctuating costing parameters for a number of countries.

Table 9. Proposed revised budget for the biennium 1996-1997 for the Fund of the United Nations International Drug Control Programme, for project activities, by region, sector and object of expenditure
(Thousands of United States dollars)

Region, sector or object of expenditure	*Initial budget*	*Recosting*	*Total after recosting*	*Volume adjustment*		*Proposed revised budget*
				Amount	*Rate (%)*	
			A. Region			
Africa	10 544.8	160.8	10 705.6	(2 122.9)	(19.8)	8 582.7
Asia and the Pacific	41 793.3	566.9	42 360.2	(5 543.1)	(13.0)	36 817.1
Europe and the Middle East	11 125.6	464.7	11 590.3	(930.9)	(8.0)	10 659.4
Latin America and the Caribbean	48 597.8	407.8	49 005.6	(7 822.0)	(15.9)	41 183.6
Global projects	9 301.2	26.9	9 328.1	2 541.5	27.2	11 869.6
Total, A	121 362.7	1 627.1	122 989.8	(13 877.4)	(11.2)	109 112.4
			B. Sector			
Control measures	31 947.2	397.4	32 344.6	(6 168.4)	(19.0)	26 176.2
Demand reduction	36 363.2	474.6	36 837.8	(2 558.1)	(6.9)	34 279.7
Supply reduction	28 272.6	397.2	28 669.8	(1 600.9)	(5.5)	27 068.9
Multisector	24 779.7	357.9	25 137.6	(3 550.0)	(14.1)	21 587.6
Total, B	121 362.7	1 627.1	122 989.8	(13 877.4)	(11.2)	109 112.4
			C. Object of expenditure			
Project staff	22 413.8	374.2	22 788.0	2 229.3	9.7	25 017.3
Consultants and experts	3 060.9	24.7	3 085.6	1 818.5	58.9	4 904.1
Travel	2 921.4	39.4	2 960.8	32.6	1.1	2 993.4
Contractual services	21 165.8	256.2	21 422.0	3 541.8	16.5	24 963.8
General operating expenses	4 749.7	91.0	4 840.7	(964.7)	(19.9)	3 876.0
Supplies and materials	3 627.2	64.8	3 692.0	68.8	1.8	3 760.8
Furniture	5 962.8	68.1	6 030.9	(3 016.2)	(50.0)	3 014.7
Equipment	32 919.8	369.6	33 289.4	(20 733.3)	(62.2)	12 556.1
Improvements to premises	1 273.5	31.9	1 305.4	776.7	59.5	2 082.1
Fellowships and grants	15 125.6	30.4	15 156.0	3 410.3	22.5	18 566.3
Programme support (agencies)	4 519.9	141.2	4 661.1	(1 653.4)	(35.4)	3 007.7
Total	117 740.4	1 491.5	119 231.9	(14 489.6)	(12.1)	104 742.3
Programme support (UNDCP)	3 622.3	135.6	3 757.9	612.2	16.2	4 370.1
Total, C	121 362.7	1 627.1	122 989.8	(13 877.4)	(11.2)	109 112.4

Table 10. Proposed revised budget for the biennium 1996-1997 for the Fund of the United Nations International Drug Control Programme, for project activities, by region and sector
(Thousands of United States dollars)

Region and sector	*Initial budget*	*Recosting*	*Total after recosting*	*Volume adjustment*		*Proposed revised budget*
				Amount	*Rate (%)*	
Africa						
Control measures	1 561.3	24.6	1 585.9	1 383.6	87.2	2 969.5
Demand reduction	4 805.7	75.2	4 880.9	(3 357.3)	(68.7)	1 523.6
Multisector	4 177.8	61.0	4 238.8	(149.2)	(3.5)	4 089.6
Total	10 544.8	160.8	10 705.6	(2 122.9)	(19.8)	8 582.7
Asia and the Pacific						
Control measures	9 590.0	117.0	9 707.0	(4 295.5)	(44.2)	5 411.5
Demand reduction	11 247.9	143.0	11 390.9	(4 513.7)	(39.6)	6 877.2
Supply reduction	9 193.9	138.9	9 332.8	6 520.5	69.8	15 853.3
Multisector	11 761.5	168.0	11 929.5	(3 254.4)	(27.2)	8 675.1
Total	41 793.3	566.9	42 360.2	(5 543.1)	(13.0)	36 817.1
Europe and the Middle East						
Control measures	3 367.2	132.0	3 499.2	2 217.2	63.3	5 716.4
Demand reduction	2 685.0	117.1	2 802.1	(1 794.6)	(64.0)	1 007.5
Supply reduction	2 476.5	120.8	2 597.3	(1 857.2)	(71.5)	740.1
Multisector	2 596.9	94.8	2 691.7	503.7	18.7	3 195.4
Total	11 125.6	464.7	11 590.3	(930.9)	(8.0)	10 659.4
Latin America and the Caribbean						
Control measures	16 447.0	121.2	16 568.2	(10 084.8)	(60.8)	6 483.4
Demand reduction	16 635.9	136.6	16 772.5	5 420.6	32.3	22 193.1
Supply reduction	13 145.6	127.5	13 273.1	(3 049.0)	(22.9)	10 224.1
Multisector	2 369.3	22.5	2 391.8	(108.8)	(4.5)	2 283.0
Total	48 597.8	407.8	49 005.6	(7 822.0)	(15.9)	41 183.6
Global projects						
Control measures	981.7	2.6	984.3	4 611.1	468.4	5 595.4
Demand reduction	988.7	2.7	991.4	1 686.9	170.1	2 678.3
Supply reduction	3 456.6	10.0	3 466.6	(3 215.2)	(92.7)	251.4
Multisector	3 874.2	11.6	3 885.8	(541.3)	(13.9)	3 344.5
Total	9 301.2	26.9	9 328.1	2 541.5	27.2	11 869.6
All sectors						
Control measures	31 947.2	397.4	32 344.6	(6 168.4)	(19.0)	26 176.2
Demand reduction	36 363.2	474.6	36 837.8	(2 558.1)	(6.9)	34 279.7
Supply reduction	28 272.6	397.2	28 669.8	(1 600.9)	(5.5)	27 068.9
Multisector	24 779.7	357.9	25 137.6	(3 550.0)	(14.1)	21 587.6
Grand total	121 362.7	1 627.1	122 989.8	(13 877.4)	(11.2)	109 112.4

Table 11. Proposed revised budget for the biennium 1996-1997 for the Fund of the United Nations International Drug Control Programme, for project activities, by sector and region
(Thousands of United States dollars)

Sector and region	*Initial budget*	*Recosting*	*Total after recosting*	*Volume adjustment*		*Proposed revised budget*
				Amount	*Rate (%)*	
Control measures						
Africa	1 561.3	24.6	1 585.9	1 383.6	87.2	2 969.5
Asia and the Pacific	9 590.0	117.0	9 707.0	(4 295.5)	(44.2)	5 411.5
Europe and the Middle East	3 367.2	132.0	3 499.2	2 217.2	63.3	5 716.4
Latin America and the Caribbean	16 447.0	121.2	16 568.2	(10 084.8)	(60.8)	6 483.4
Global projects	981.7	2.6	984.3	4 611.1	468.4	5 595.4
Total	31 947.2	397.4	32 344.6	(6 168.4)	(19.0)	26 176.2
Demand reduction						
Africa	4 805.7	75.2	4 880.9	(3 357.3)	(68.7)	1 523.6
Asia and the Pacific	11 247.9	143.0	11 390.9	(4 513.7)	(39.6)	6 877.2
Europe and the Middle East	2 685.0	117.1	2 802.1	(1 794.6)	(64.0)	1 007.5
Latin America and the Caribbean	16 635.9	136.6	16 772.5	5 420.6	32.3	22 193.1
Global projects	988.7	2.7	991.4	1 686.9	170.1	2 678.3
Total	36 363.2	474.6	36 837.8	(2 558.1)	(6.9)	34 279.7
Supply reduction						
Asia and the Pacific	9 193.9	138.9	9 332.8	6 520.5	69.8	15 853.3
Europe and the Middle East	2 476.5	120.8	2 597.3	(1 857.2)	(71.5)	740.1
Latin America and the Caribbean	13 145.6	127.5	13 273.1	(3 049.0)	(22.9)	10 224.1
Global projects	3 456.6	10.0	3 466.6	(3 215.2)	(92.7)	251.4
Total	28 272.6	397.2	28 669.8	(1 600.9)	(5.5)	27 068.9
Multisector						
Africa	4 177.8	61.0	4 238.8	(149.2)	(3.5)	4 089.6
Asia and the Pacific	11 761.5	168.0	11 929.5	(3 254.4)	(27.2)	8 675.1
Europe and the Middle East	2 596.9	94.8	2 691.7	503.7	18.7	3 195.4
Latin America and the Caribbean	2 369.3	22.5	2 391.8	(108.8)	(4.5)	2 283.0
Global projects	3 874.2	11.6	3 885.8	(541.3)	(13.9)	3 344.5
Total	24 779.7	357.9	25 137.6	(3 550.0)	(14.1)	21 587.6
All regions						
Africa	10 544.8	160.8	10 705.6	(2 122.9)	(19.8)	8 582.7
Asia and the Pacific	41 793.3	566.9	42 360.2	(5 543.1)	(13.0)	36 817.1
Europe and the Middle East	11 125.6	464.7	11 590.3	(930.9)	(8.0)	10 659.4
Latin America and the Caribbean	48 597.8	407.8	49 005.6	(7 822.0)	(15.9)	41 183.6
Global projects	9 301.2	26.9	9 328.1	2 541.5	27.2	11 869.6
Grand total	121 362.7	1 627.1	122 989.8	(13 877.4)	(11.2)	109 112.4

B. Volume adjustments

55. Current preliminary estimates of final expenditure for the biennium 1996-1997 call for adjusting the budget ceiling for project activities by $13,877,400. While it is too early in the biennium to give a precise assessment by region, sector or object of expenditure, table 9 indicates the current estimates. In particular, the following adjustments are highlighted:

(a) *By region*: reductions of 19.8 per cent for Africa, 13.0 per cent for Asia and the Pacific, 8.0 per cent for Europe and the Middle East and 15.9 per cent for Latin America and the Caribbean, partly offset by an increase of 27.2 per cent for global activities;

(b) *By sector*: reductions of 19.0 per cent for control measures, 6.9 per cent for demand reduction, 5.5 per cent for supply reduction and 14.1 per cent for multisector.

56. The reductions can be attributed to slower programming and delays in project implementation. First, programming and project approval has slowed down due to a lack of unearmarked funding. Increasingly, projects are being supported by earmarked contributions only, limiting the flexibility of the Executive Director to launch new initiatives in response to emerging priority requirements. This is a problem affecting activities in all regions. Secondly, whereas the majority of projects are implemented according to plan, the implementation of a few major projects has been delayed, in particular nationally executed projects. Two examples of such delays in the implementation of projects are as follows:

(a) *Brazilian project (Drug abuse prevention with special emphasis on prevention of HIV infection among intravenous drug users (BRA/851); government execution; total budget: $10,020,300; initial estimates for the biennium 1996-1997: $9,107,900; revised estimates for the biennium 1996-1997: $5,801,500).* The anticipated delay in project implementation of $3,303,400 has resulted in the project being rescheduled for the biennium 1998-1999. The project targets groups at risk of becoming infected, through intravenous drug abuse, with the human immunodeficiency virus (HIV) and developing acquired immunodeficiency syndrome (AIDS). It is a component of the AIDS prevention programme implemented by the Ministry of Health of Brazil at a cost of $400 million. The delay in the UNDCP project is mainly the result of hold-ups experienced in the AIDS prevention programme. In particular, the Programme experienced difficulties in collecting baseline data, preparing the national AIDS health network and recruiting required staff. As a result, many of the UNDCP-supported programme components, such as the patient outreach activities, had to be rephased. Problems within the UNDCP project included the need to replace the national director, which required considerable time;

(b) *Pakistan project (Dir district development project, phase II (PAK/840); government execution; total budget: $14,499,500; initial estimates for the biennium 1996-1997: $9,638,500; revised estimates for the biennium 1996-1997: $8,503,200).* The anticipated delay in project implementation of $1,135,300 in the biennium 1996-1997 has resulted in the project being rescheduled for the biennium 1998-1999. The project is aimed at eliminating the dependence of the rural population in the Dir district in Pakistan on cultivation of opium poppy. It is complemented by a ban on opium cultivation, gradually enforced by the government. The project includes a substantial component on infrastructure, including road construction. The delay in project implementation is mainly due to the government's inability to appoint a supervising consultant firm to monitor and certify construction of bridges and roads. Meanwhile, the road construction work was suspended. The monitoring mechanism is now in place and activities were resumed.

VII. FINANCIAL SITUATION, 1996-1997

57. For the biennium 1996-1997, the financial position of the Fund of UNDCP and programme support cost is shown in table 12, indicating operational results, operating reserves and fund balance. While taking into

account the decline in income and programme support charges from $137,092,800 for the biennium 1994-1995 to $130,823,800 for the biennium 1996-1997, UNDCP will continue to decrease the fund balance in an orderly manner in accordance with the guidelines received by the Commission. This will essentially be done by maintaining expenditure, including programme support, at $141,235,100 for the biennium 1996-1997, compared with $144,040,300 for the biennium 1994-1995. As a result, the fund balance is expected to decline from $63,337,900 as of 31 December 1995 to $50,950,900 as of 31 December 1997. The recent decline in income has prompted a more vigorous approach to fund-raising, as evidenced by the launching of a number of new initiatives. Initial results have been achieved during the biennium 1996-1997 without which the decline in income would have been more marked. In addition, the donor base of UNDCP has widened in comparison with previous years, although it remains small and volatile, with tied funding.

Table 12. Financial position, 1997-1998
(Thousands of United States dollars)

Item	*General purpose*	*Special purpose*	*Total*
	A. Fund of UNDCP		
Operational results			
(+) Income			
Contributions	31 310.2	85 859.1	117 169.3
Public donations	--	1 428.4	1 428.4
Interest income	3 608.0	3 498.0	7 106.0
Miscellaneous income	750.0	--	750.0
Total	35 668.2	90 785.5	126 453.7
(-) Expenditure			
Headquarters	14 151.6	--	14 151.6
Field operations	13 766.6	--	13 766.6
Project activities	21 301.1	87 811.3	109 112.4
Total	49 219.3	87 811.3	137 030.6
+/(-) Operational results	(13 551.1)	2 974.2	(10 576.9)
Operating reserves			
(+) As at 31 December 1995	3 446.2	6 040.5	9 486.7
(-) As at 31 December 1997	11 400.0	--	11 400.0
+/(-) Change in operating reserves	7 953.8	6 040.5	(1 913.3)
Fund balance			
As at 31 December 1995	39 804.4	23 533.5	63 337.9
+/(-) Operational results	(13 551.1)	2 974.2	(10 576.9)
+/(-) Change in operating reserves	(7 953.8)	6 040.5	(1 913.3)
As at 31 December 1997	18 299.5	32 548.2	50 847.7
	B. Programme support		
Operational results			
(+) Programme support charges			4 370.1
(-) Expenditure			
Headquarters			3 045.2
Field operations			1 159.3
Total			4 204.5
+/(-) Operational results			165.6

Item	*General purpose*	*Special purpose*	*Total*
Operating reserves			
(+) As at 31 December 1995			537.6
(-) As at 31 December 1997			600.0
+/(-) Change in operating reserves			62.4
Fund balance			
As at 31 December 1995			--
+/(-) Operational results			165.6
+/(-) Change in operating reserves			(62.4)
As at 31 December 1997			103.2
C. Consolidated summary			
Operational results			
(+) Income/programme support charges			130 823.8
(-) Expenditure			141 235.1
+/(-) Operational results			(10 411.3)
Operating reserves			
As at 31 December 1995			10 024.3
As at 31 December 1997			12 000.0
Fund balance			
As at 31 December 1995			63 337.9
As at 31 December 1997			50 950.9

58. A short description of the new resource mobilization efforts is given below. That is followed by details on the financial situation of the Fund of UNDCP and programme support cost.

A. Resource mobilization efforts

59. The income situation of the Fund of UNDCP is largely determined by successful resource mobilization efforts. New resource mobilization activities were launched in 1996. They consisted of two basic components. First, efforts were initiated that were aimed at increasing the visibility and profile of UNDCP with a view to enlisting the support of civil society in the global fight against drug abuse. Secondly, a fund-raising effort targeting donor countries was launched to generate additional general-purpose funding.

60. The efforts to increase the visibility and profile of UNDCP are not expected to lead to an immediate increase in contributions; however, they are expected to have a long-term impact and to provide the basis for launching specific fund-raising efforts. For example, UNDCP, in cooperation with the International Olympic Committee, launched a global campaign entitled "Sports against drugs" to encourage healthy, drug-free lifestyles among young people in particular. The campaign has, to date, been supported by some 600 Olympic athletes from 121 countries and territories, including more than two dozen 1996 Olympic medallists and other renowned sports personalities. In reaching out to civil society with the assistance of its goodwill ambassadors, such as the Sumo Grand Champion Takanohana of Japan, the Chung Trio from the Republic of Korea and the Tahuichi Aguilera Football Academy of Bolivia, UNDCP educates young people about the dangers of drug abuse and promotes anti-drug messages.

61. The idea of launching targeted fund-raising efforts stemmed from the paper by the Executive Director entitled "The financing system and principles of 'ownership' of UNDCP". In addition to outlining concepts

of collective empowerment, ownership and the need to develop further the system of financing, the Executive Director put forward a fund-raising initiative aimed at generating $15,000,000 in additional general-purpose resources, to be shared by current and new donor countries at a rate of $300,000 each. The initiative was elaborated based on an assessment of requirements for strengthening the competence of UNDCP in international drug control.

62. The Commission on Narcotic Drugs, in its resolution 10 (XXXIX), endorsed the proposals of the Executive Director for maintaining and strengthening the capacities of UNDCP. Subsequently, UNDCP initiated a vigorous follow-up with approximately 60 countries that had been identified as existing or potential donors. Those countries were approached directly through letters from the Executive Director to the ministers concerned, as well as through meetings with their local missions. At the same time, the Governments of the identified countries were also approached through the UNDCP field offices network and the United Nations resident coordinator network. Finally, UNDCP sent fund-raising missions to selected countries. Whereas the success of these initiatives cannot be fully assessed at this stage, a number of contributions, totalling $1.8 million, were received in 1996. Those contributions include the following:

(a) Four long-standing donor countries announced their intention to respond to the appeal of the Executive Director for additional, general-purpose resources;

(b) One country receiving UNDCP assistance has increased its contribution by 50 per cent over the last two years, bringing the total to $150,000 for 1997. It is expected that that country will gradually increase its contribution further in the coming years;

(c) Two countries that had not been longstanding donors to UNDCP announced their intention to increase their voluntary contributions to $153,800 and $230,000, respectively;

(d) Several countries in Asia, Europe and Latin America indicated that they were reviewing the possibility of increasing their contributions to UNDCP in the light of the fund-raising effort. Negotiations aimed at increasing the financial support of some of those countries are at an advanced stage.

63. Two other important developments were recorded. The United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988[5] states that parties to the Convention may contribute, if feasible, a portion of the value of confiscated drug-related proceeds to intergovernmental bodies such as UNDCP. For the first time, UNDCP concluded an agreement that provides for funds derived from assets confiscated from drug traffickers to be contributed to UNDCP. The agreement, which is with the Fonds de lutte contre le trafic des stupéfiants, an institution in Luxembourg, covers an amount of $200,000. Following discussions with recipient countries, major cost-sharing agreements have been concluded. Cost-sharing contributions from three Governments in Latin America are expected to increase from $3,488,000 in 1996 to $10,417,000 in 1997.

B. Fund of the United Nations International Drug Control Programme

64. For the Fund of UNDCP, total estimated expenditure during the biennium 1996-1997 is $137,030,600, exceeding total estimated income of $126,453,700 by $10,576,900. The operating reserve is expected to increase by $1,913,300 to $11,400,000 in accordance with the new policy outlined in paragraph 73 below. The fund balance of $63,337,900 as of 31 December 1995 is therefore expected to decline by $12,490,200 to $50,847,700 as of 31 December 1997. Explanations of the estimates are provided below.

65. Total expenditure is estimated at $137,030,600 for the biennium 1996-1997, an amount equal to the proposed revised Fund budget, compared with $138,354,500 for the biennium 1994-1995. Headquarters and field operations are funded entirely from general-purpose funds. For project activities, approximately 19.5 per

cent of total expenditure is covered under general-purpose funds and 80.5 per cent under special-purpose funds.

66. Total income is expected to decrease to $126,453,700 in the biennium 1996-1997, compared with $131,407,000 in the biennium 1994-1995. The decrease is anticipated for both sources of income, general-purpose funds having been estimated at $35,668,200 for the biennium 1996-1997, compared with $38,026,200 for the biennium 1994-1995, and special-purpose income having been estimated at $90,785,500 for the biennium 1996-1997, compared with $93,380,800 for the biennium 1994-1995.

67. Total contributions are estimated at $117,169,300 for the biennium 1996-1997, including funds provided by donors amounting to $103,264,300 and funds provided through cost-sharing arrangements amounting to $13,905,000, compared with contributions of $119,619,600 for the biennium 1994-1995, including donor funding of $117,181,600 and cost-sharing contributions of $2,438,000. General-purpose contributions are expected to increase to $31,310,200 in the biennium 1996-1997, compared with $30,923,100 in the biennium 1994-1995, and special-purpose contributions are expected to decrease to $85,859,100 in the biennium 1996-1997, compared with $88,696,400 in the biennium 1994-1995.

68. The estimates for contributions, amounting to $117,169,300 for the biennium 1996-1997, include $52,390,000 for 1996 and $64,779,300 for 1997. The increase is attributed to the initial responses to the new fund-raising initiatives and the considerable increase in cost-sharing contributions, from $3.5 million in 1996 to $10.4 million in 1997. The amount for 1996 is based on actual contributions received from 47 countries and the European Commission. The estimate for 1997 is based on pledges announced or firm donor indications. In assessing the validity of the firmness of contribution indications, attention has been paid to reviewing the recent history of contributions for each donor both in terms of contribution size and regularity of payment. Many donor countries have already indicated in writing their 1997 levels of support and have announced a continuation of their 1996 contribution levels or, in some instances, slight increases. The number of countries providing voluntary contributions during the biennium 1996-1997 is presented in table 13.

69. The new fund-raising initiatives have prevented an even larger decrease in contributions. Positive developments are the increase in cost-sharing contributions and the widening of the donor base of UNDCP. More countries are supporting the activities of UNDCP and countries in the middle range of contributions have increased their funding. In spite of the slight broadening of the donor base, UNDCP continues to rely on a small number of donors.

Table 13. Number of countries providing voluntary contributions, 1996-1997

Amount (thousands of United States dollars)	*Number of countries*		*Proportion of total contribution (percentage)*	
	1996	*1997*	*1996*	*1997*
Over 5,000	4	6	8.3	12.5
2,000-5,000	6	5	12.5	10.4
550-1,999	7	6	14.6	12.5
100-499	4	7	8.3	14.6
50-99	2	4	4.2	8.3
49 or less	25	20	52.1	41.7
Total	48	48	100.0	100.0

70. Public donations are estimated at $1,428,400 for the biennium 1996-1997, compared with $1,338,100 for the biennium 1994-1995. For 1996, $784,500 has been received, including $500,000 from the Drug Abuse Prevention Centre, a Japanese non-governmental organization, $160,000 from the Society of Japanese Pharmacopoeia, $100,000 from the Fonds de lutte contre le trafic des stupéfiants in Luxembourg and $24,500 from the Commonwealth Secretariat in London. For 1997 an amount of $500,000 is expected from the Drug Abuse Prevention Centre and $200,000 is expected from other sources. Support from the Drug Abuse Prevention Centre is raised through its annual campaigns, which not only result in substantial funding for UNDCP but also increase public awareness in Japan of the danger of drug abuse. UNDCP efforts to increase its visibility are considered essential to maintaining or increasing the level of public donations.

71. Interest income is estimated at $7,106,000 for the biennium 1996-1997, $3,608,000 being generated from general-purpose funds and $3,498,000 from special-purpose funds, compared with $9,295,100 for the biennium 1994-1995, including $5,948,900 from general-purpose funds and $3,346,200 from special-purpose funds. Interest income is received from temporary surpluses and operating reserves, invested by the Treasury of the United Nations in accordance with the Financial Rules of the United Nations and the guidance received by UNDCP. The interest income is determined by the interest rates on United States dollar call accounts and short-term deposits and the cash balance maintained by UNDCP. For 1996, interest income is estimated to amount to $3,726,000, including $1,944,000 for general-purpose funds and $1,782,000 for special-purpose funds. That is the result of a 1996 average interest rate of 5.4 per cent on an average cash balance of $36.0 million for general-purpose funds and $33.0 million for special-purpose funds. For 1997, interest income is estimated to amount to $3,380,000, including $1,664,000 for general-purpose funds and $1,716,000 for special-purpose funds. The estimates are based on the assumption that the interest rates for 1997 will continue at the October 1996 rate of 5.2 per cent, with an average cash balance of $32.0 million for general-purpose funds and $33.0 million for special-purpose funds. Interest income for special-purpose funds is, in general, either reallocated to fund activities in line with the initial earmarking or provided for new activities in accordance with the indications received from the contribution of donors.

72. Miscellaneous income is estimated at $750,000 for the biennium 1996-1997, compared with $1,154,200 for the biennium 1994-1995. It corresponds to refunds of the prior years' expenditure and gains on the translation of currencies. For 1996, miscellaneous income is estimated at $375,000 with $270,000 relating to refunds of expenditures of prior years and $105,000 for gains on the translation of currencies. For 1997, $375,000 is expected, an amount similar to that for 1996.

73. The operating reserve reflects the introduction of a new policy as mentioned in the report of the Executive Director (E/CN.7/1997/8, paras. 56-57). Previously, the operating reserve for the Fund was determined in accordance with administrative instruction ST/AI/284, on general trust funds. Accordingly, an operating reserve of 15 per cent of annual expenditure was established to protect against unforeseen shortfalls and to meet final expenditure, including liquidating liabilities. This amounted to a reserve of $3,446,200 under general-purpose funds and $6,040,500 under special-purpose funds as of 31 December 1995. The arrangement was not considered satisfactory by ACABQ and did not appear to be in line with actual reserve requirements for an operation supported by the Fund of UNDCP. An appropriate operating reserve ensures the financial viability and integrity of the Fund by covering downward fluctuations or shortfalls in resources; uneven cash flows; increases in actual costs compared with planning estimates or fluctuations in delivery; and contingencies such as final expenditure, including liquidating liabilities. Calculations according to the identified criteria and a comparison with the practice in other United Nations entities suggested that an operating reserve of approximately $12.0 million should be established, supported by $11.4 million from general-purpose funds and $0.6 million from programme support funds. According to rule 9.2 of the draft financial rules of the Fund of UNDCP (E/CN.7/1997/8, annex I), the level of the operational reserve should be determined from time to time by the Commission on Narcotic Drugs on the recommendation of the Executive Director. The new policy on operating reserve, which has been reviewed by the Under-Secretary-General for Administration and Management and by the Board of Auditors, has already been introduced in the context of the revised budget for the biennium 1996-1997.

74. Owing to the operational results for the biennium 1996-1997 and the introduction of a new policy on operating reserve, the fund balance is expected to decline by $12,490,200, from $63,337,900 as of 31 December 1995 to $50,847,700 as of 31 December 1997. The decline in general-purpose funds, which amounts to $21,504,900, marks an orderly adjustment in line with expectations. Contrary to the overall decrease, the fund balance of special-purpose funds is expected to increase by $9,014,700, as a result of the introduction of the new reserve policy and lower expenditure compared with income.

C. Programme support

75. For programme support, total estimated charges of $4,370,100 are expected to exceed total estimated expenditure of $4,204,500 by $165,600 during the biennium 1996-1997. The operating reserve is expected to increase by $62,400 to $600,000 in accordance with the new policy outlined above in paragraph 73. The fund balance is expected to amount to $103,200 as of 31 December 1997. The detailed estimates are explained below. The programme support cost arrangement was first introduced for the biennium 1996-1997.

76. Total expenditure is estimated at $4,204,500 for the biennium 1996-1997, an amount equal to the proposed revised programme support cost budget, compared with $5,685,800 for the biennium 1994-1995. Of that, $3,045,200 or 72.4 per cent is for headquarters and $1,159,300 or 27.6 per cent is for field operations.

77. The estimate of programme support charges amounts to $4,370,100 for the biennium 1996-1997, compared with $5,685,800 for the biennium 1994-1995. The calculation of programme support charges is based on the estimated project delivery, whereby the category of execution determines the rate of charges retained by UNDCP. Details on this arrangement were presented in a note by the Executive Director (E/CN.7/1993/15). According to the arrangement, the programme support charges depend on the execution modality: if a project is executed by UNDCP, 13 per cent is retained by UNDCP; if project execution by UNDCP is supported by an associated agency, UNDCP and the associated agency share the 13 per cent; if the project execution is entrusted by UNDCP to another agency, that agency is provided up to 13 per cent and no funds are retained by UNDCP; and in the case of national execution, UNDCP is provided up to 3.5 per cent and no funds are retained by UNDP. Taking into account the anticipated project delivery, it is estimated that UNDCP will receive $2,981,100 of programme support for UNDCP execution and $1,389,000 for UNDCP execution with associated agencies. The total amount corresponds to 4.0 per cent of total UNDCP project delivery. A detailed breakdown of rates and programme support cost charges by executing agency is shown in table 14.

Table 14. Programme support cost, 1996-1997
(Thousands of United States dollars)

Type of execution and executing entity	Project expenditure	Programme support		
		Amount	Rate (%)	Total
A. UNDCP execution or UNDCP execution with an associated agency				
UNDCP	22 931.5	2 981.1	13.0	25 912.6
UNDCP with the United Nations Office for Project Services	--	899.8	5.5	899.8
UNDCP with UNIDO[a]	--	489.2	8.0	489.2
Total, A	22 931.5	4 370.1		27 301.6
B. Agency execution				
United Nations entities				
Department for Development Support and Management Services of the Secretariat	97.7	12.7	13.0	110.4
ESCAP[b]	583.3	75.9	13.0	659.2
Latin American Institute for the Prevention of Crime and the Treatment of Offenders	358.5	43.0	12.0	401.5
UNDP[c] with the Government	--	555.9	3.5	555.9
UNFPA[d]	50.0	6.5	13.0	56.5
UNICEF[e]	172.1	22.4	13.0	194.5
United Nations Office for Project Services with UNDCP	16 361.0	1 227.0	7.5	17 588.0
UNV[f]	88.7	11.5	13.0	100.2
United Nations specialized agencies				
FAO[g]	987.9	128.5	13.0	1 116.4
ILO[h]	2 688.3	349.4	13.0	3 037.7
UNESCO[i]	94.5	12.2	12.9	106.7
UNIDO[a] with UNDCP	6 115.1	305.7	5.0	6 420.8
WHO[j]	901.7	117.2	13.0	1 018.9
Intergovernmental organizations				
Caribbean Customs Law Enforcement Council	222.1	--	--	222.1
Coordination Group to Combat Drug Abuse and Illicit Trafficking in Drugs (Pompidou Group)	277.0	19.4	7.0	296.4
European Centre for Social Welfare Policy and Research	14.8	1.9	12.8	16.7
ICPO/Interpol[k]	725.0	--	--	725.0
Customs Cooperation Council[l]	367.1	--	--	367.1
Non-governmental organizations				
Addiction Research Foundation with the University of the West Indies	605.5	78.7	13.0	684.2
Italian Centre of Solidarity	352.0	9.5	2.7	361.5
International Press Service	91.1	--	--	91.1
Norwegian Church Aid	1 320.9	--	--	1 320.9
Swedish Association for Help and Assistance to Drug Abusers (RFHL)	111.7	5.6	5.0	117.3
University of the West Indies	18.9	1.9	10.1	20.8
Total, B	32 604.9	2 984.9		35 589.8

Type of execution and executing entity	Project expenditure	Programme support		
		Amount	Rate (%)	Total
C. National execution				
Government				
Government agencies	28 883.4	--	--	28 883.4
Government agencies with UNDP[c]	15 595.0	--	--	15 595.0
Non-Governmental organizations				
Centro Ecuatoriano de Capacitación y Formación de la Calle	127.2	8.9	7.0	136.1
Centro Educativo Sobre Estupefacientes	81.1	5.7	7.0	86.8
Environmental Development Action (Bolivia)	116.6	8.2	7.0	124.8
Serviço Social da Indústria (Brazil)	1 160.5	--	--	1 160.5
South Pacific Forum Secretariat	234.0	--	--	234.0
Total	46 197.8	22.8		46 220.6
Grand total, A, B and C	101 734.2	7 377.8		109 112.0

[a]United Nations Industrial Development Organization.
[b]Economic and Social Commission for Asia and the Pacific.
[c]United Nations Development Programme.
[d]United Nations Population Fund.
[e]United Nations Children's Fund.
[f]United Nations Volunteers.
[g]Food and Agriculture Organization of the United Nations.
[h]International Labour Organization.
[i]United Nations Educational, Scientific and Cultural Organization.
[j]World Health Organization.
[k]International Criminal Police Organization.
[l]Also called the World Customs Organization.

PART THREE. PROPOSED OUTLINE FOR THE BIENNIUM 1998-1999

78. Assisting Governments to fight drug abuse, production and trafficking will remain the main priority in the period 1998-1999. To do so, renewed emphasis will be placed on developing UNDCP as a centre of competence in international drug control, supporting accession to and implementation of the international drug control treaties and promoting subregional cooperation within the context of a balanced approach to international drug control. A programme approach, rather than project support, will be introduced for technical cooperation. This will allow the operational activities to be more decentralized, moving their control away from headquarters and towards the field office network. It will also increase the delivery capacity and cost-efficiency of UNDCP. In terms of priorities, UNDCP will in particular:

(a) Ensure greater unity of purpose and coherence of action in drug control by the international community;

(b) Increase awareness among decision and opinion makers and the general public of the problem of drug abuse and its consequences;

(c) Increase the effectiveness of national efforts to prevent and reduce drug abuse;

(d) Increase the effectiveness of national illicit crop reduction programmes;

(e) Increase the effectiveness of national and international action against illicit drug trafficking;

(f) Improve national capacities to coordinate drug control activities and to develop and implement comprehensive, balanced drug control policies and strategies;

(g) Ensure that useful and reliable data and analyses on drug control issues are available to Governments;

(h) Have in place cooperation arrangements with the countries concerned that embody a common understanding of and approach to drug control.

79. The proposed outline for the biennium 1998-1999 is within the projected financial scenario. Resources amounting to $162,298,000 will be allocated for the biennium 1998-1999, compared with $141,235,100 for the biennium 1996-1997, as shown in table 15. This reflects an increase of $10,000,000 or 7.0 per cent in real terms and recosting adjustments of $11,062,900. In support of the programme, it is estimated that income and programme support charges of $134,030,000 will be available for the biennium 1998-1999, in addition to $28,268,000 allocated from the fund balance.

Table 15. Proposed outline for the biennium 1998-1999 for the Fund of the United Nations International Drug Control Programme and programme support cost
(Thousands of United States dollars)

Regular budget	*Fund of UNDCP and programme support cost*						
			Resource growth in the biennium 1989-1999				
	Segment	*Revised budget for the biennium 1996-1997*	*Amount*	*Rate (%)*	*Total before recosting*	*Recosting*	*Proposed outline for the biennium 1998-1999*
16 650.2	Headquarters	17 196.8	--	--	17 196.8	1 361.5	18 558.3
--	Field operations	14 925.9	--	--	14 925.9	1 629.0	16 554.9
--	Project activities	109 112.4	10 000.0	9.1	119 112.4	8 072.4	127 184.8
16 650.2	Total	141 235.1	10 000.0	7.0	151 235.1	11 062.9	162 298.0

80. In accordance with the recommendation of ACABQ, the concept of the outline has been revised (see paragraph 17 above). It contains two main parts. First, as it is a financial planning tool, details are provided on the financial scenario for the outline period. Secondly, the purpose of the outline is to indicate programmatic priorities, not to present a detailed budget proposal. Thus, the information on resource allocation has been limited and the description focuses on the new programme priorities in accordance with the subprogrammes of the medium-term plan for the period 1998-2001.

VIII. OUTLINE PRIORITIES

81. The medium-term plan for the period 1998-2001 (A/51/6 (Prog. 13)) provides the main programmatic priority programme for the outline period. Priority activities are described below in reference to the following three subprogrammes of the medium-term plan:

Subprogramme 1. Coordination and promotion of international drug control;

Subprogramme 2. International drug control monitoring and policy-making;

Subprogramme 3. Prevention and reduction of drug abuse, elimination of illicit crops and suppression of illicit drug trafficking.

Most resources from the Fund of UNDCP and programme support cost are allocated to subprogramme 3. The regular budget of the United Nations funds mainly activities under subprogrammes 1 and 2.

82. The total resource allocation of $162,298,000 for the biennium 1998-1999 will be distributed as follows: headquarters: $18,558,300; field operations: $16,554,900; and project activities: $127,184,800. Essentially, it was expected that the allocations for headquarters and field operations would be kept at the same level in real terms, the increases corresponding only to recosting adjustments. In contrast, there are plans to increase project activities in real terms by $10,000,000 or 9.1 per cent. Increased project delivery appears possible due to the launch of a number of major projects, partly funded through cost-sharing contributions. Programmatic details are provided below for headquarters, field operations and project and programme activities.

A. Headquarters

83. UNDCP will give increased priority to developing its competence in drug control. Its activities in this connection will include ensuring that technical cooperation programmes are of high quality. It will also provide the basis for carrying out the coordination function of UNDCP; for supporting the implementation of the provisions of the three main international drug control treaties; for supporting standard-setting; for developing countermeasures; for collecting, analysing and disseminating information and for providing high-level expertise. It will also provide support to the preparation of the special session of the General Assembly in 1998 devoted to combating the illicit production, sale, demand, traffic and distribution of narcotic drugs and psychotropic substances and related activities. Such activities will exploit UNDCP links with international expertise, through its field operations and specialist networks, enabling it to draw upon expertise available in research institutions, non-governmental organizations and other partner organizations. UNDCP will place increased emphasis on the development and application of the methodology and technology required for information management, including the pooling and linkage of information. UNDCP will also disseminate up-to-date information and analysis on drug control issues both to a specialized audience and to the general public.

84. Under subprogramme 1, UNDCP will prepare analyses of trends and statistical data to facilitate the joint consideration by Governments of subregional concerns. UNDCP will support the elaboration of memoranda of understanding between Governments, providing for the exchange of information, joint plans of action and mutual support on drug control issues of common concern. UNDCP will support the formulation and implementation of subregional drug control plans of action by providing technical assistance, will encourage the association of subregional organizations with intergovernmental drug control initiatives and will help Governments to implement subregional drug control agreements and to identify further initiatives.

85. Under subprogramme 2, analytical support will be provided to the Commission on Narcotic Drugs and its subsidiary bodies through regular reports on trends and patterns in illicit drug production, trafficking and

abuse and through other reports as requested, including those required in connection with the special session of the General Assembly to be held in 1998. Analytical support will also be provided to the International Narcotics Control Board. UNDCP will train national authorities in implementing national legislation and regulations on the control of licit drug supply. It will assist Governments in organizing and providing substantive input for regional training seminars for drug control administrators in charge of the control of licit activities related to drugs and precursors, in order to enhance the implementation of treaty provisions.

86. Under subprogramme 3, UNDCP will provide Governments with data on drug abuse and with advice on effective policies on and approaches to the prevention of drug abuse and the treatment and rehabilitation of drug addicts. UNDCP will work closely with international experts and Member States in developing an international instrument on the guiding principles of demand reduction. Priority will be given to the provision of technical advice and assistance on interconnected prevention, treatment and rehabilitation programmes judged to be effective, particularly pilot and demonstration activities. Those programmes will be implemented in the context of broader health, education and other programmes within the social development framework with a view to securing sustainability. UNDCP will hold meetings to promote and coordinate international activities aimed at reducing illicit drug demand.

87. The methodology used for assessing the extent of cultivation of illicit crops will be adapted to local circumstances. Current technological developments for the assessment of illicit crops still rely heavily on ground data, and ground surveys will therefore continue to be the main basis for illicit cultivation assessments in the short and medium term. At the same time UNDCP will examine the feasibility of making greater use of advanced remote sensing technology. With a view to developing a common policy for bilateral and multilateral donors, UNDCP will give more attention to advocating alternative development as a means of reducing the cultivation of illicit crops. There will be an in-depth analysis of the experience gained in alternative development pilot schemes. The analysis will be used to ensure better quality programmes.

88. Cooperation will be strengthened with the Customs Co-operation Council, also called the World Customs Organization, and the International Criminal Police Organization (ICPO/Interpol), with a view to increasing the accuracy and reliability of international data on illicit drug trafficking. Advisory services will be provided to Member States with a new focus on measures against illicit drug trafficking and production, including effective action against precursor chemicals. UNDCP will enhance its capacity to render technical assistance in measures against money-laundering, in cooperation with the Crime Prevention and Criminal Justice Division of the Secretariat and the Financial Action Task Force established by the heads of State or Government of the Group of Seven major industrialized countries and the President of the European Commission.

89. UNDCP will continue to give priority to analysing new trends and developments in the drug problem and informing the international community accordingly. Priority will be given to analysing the illicit production of, trafficking in and abuse of amphetamine-type stimulants, with a view to developing appropriate countermeasures. In this connection, UNDCP will continue its research into the use of signature analysis and profiling of seized drug materials and products as a scientific approach to supporting law enforcement efforts in determining the trafficking routes and possibly the origins illicitly produced drugs. UNDCP will also continue its research into cross-sectoral aspects of the drug problem, with a view to synthesizing data into policy-relevant information.

B. Field operations

90. The activities in the field operations will address all three subprogrammes, particular emphasis being given to subprogramme 3, on prevention and reduction of drug abuse, elimination of illicit crops and suppression of illicit drug trafficking.

91. The field office structure, which includes 10 regional and 8 country offices during the biennium 1996-1997, will be adjusted in line with the specific drug control situation in the area, the magnitude of UNDCP funding and the need to support adherence to the international drug control treaties. Decentralization of operational activities, together with the delegation of decision-making to the field, will receive greater priority. Consideration is being given to developing a rapid deployment capacity in order to be able to act more quickly in providing the necessary support for field offices whenever such support is urgently required.

92. The role of the UNDCP field office is expected to change during the outline period. Field offices will increasingly be involving themselves in more field-level studies and will be serving as collectors of data for analysis at headquarters. Country programme frameworks and regional programme frameworks will constitute the main framework for activities to be initiated and implemented at the field level. Needs and opportunities for multilateral cooperation in drug control at the subregional level will be identified and concrete cooperation arrangements will be promoted through advocacy and technical support. In countries that receive limited technical assistance and have a worsening drug control problem, UNDCP offices are required to assist in the elaboration of new drug control projects rather than to support existing ones. The field offices will continue to play an enhanced role in fostering subregional cooperation, an undertaking that requires major political commitment on the part of the countries concerned.

93. Field offices will provide assistance to Governments in developing and implementing national drug control policies and projects and the promotion of adherence to the international drug control treaties. UNDCP will continue to provide expertise in drug control directly through its experts in field offices. In particular, UNDCP will promote the incorporation of a drug dimension into larger integrated rural development programmes, expanding and replicating successful pilot schemes, working closely with Governments, other United Nations entities and the international financial institutions.

94. Where there are UNDCP field offices, inter-agency thematic groups or equivalent mechanisms for drug control will be created by UNDCP, with the aim of promoting the integration of drug control into the work programmes of other agencies and identifying opportunities for practical cooperation in projects and other activities.

C. Project and programme activities

95. UNDCP will shift from a project activity approach to a programme approach. Developing operational frameworks for drug control will provide the main basis for interventions. Programme frameworks will take into account the entire range of UNDCP activities at the national and regional levels, as well as of other organizations active in the field of drug control or in the subregion concerned. The programme approach will incorporate issues such as advocacy, coordination, public information and support for the work of the International Narcotics Control Board, as well as support for the development of the centre-of-competence concept.

96. UNDCP activities are implemented through a network of organizations. Emphasis will be placed on increasing national execution through governmental entities and non-governmental organizations. Entities such as the United Nations Office for Project Services, UNDP, the World Health Organization and the International Labour Organization (ILO) will remain the main UNDCP partners. UNDCP will be the executing agency in its areas of expertise. In addition to the programmatic priorities outlined below, project approval is guided by the following criteria: (a) the drug control situation in a given country or region, (b) readiness of the Government to adhere to the international drug control treaties, (c) efforts by the Government to develop and implement a drug control master plan, (d) efforts by the Government to establish a national focal point or internal coordinating body for drug control, (e) sustainable and verifiable impact, (f) the absorptive capacity of national institutions, (g) the facilitation of additional external assistance, (h) use of resources in an efficient and verifiable manner and, in some cases, (i) the financial constraints of States.

97. Project activities address all three subprogrammes, particular emphasis being given to subprogramme 3, which is elaborated below.

1. Prevention and reduction of drug abuse

98. Emphasis will shift to prevention campaigns and the development of modular curriculum components in addition to culturally adapted treatment and rehabilitation programmes. Greater effort will be made to integrate demand reduction into mainstream health and education programmes and social programmes targeting youth and other vulnerable groups such as refugees and conflict-ravaged populations.

99. Due to mounting heroin and stimulant abuse, the focus will be on community and school-based preventive activities in Bangladesh, Myanmar, Pakistan and Viet Nam. Furthermore, a demand reduction programme, developed within the framework of the master plan, will be implemented in Viet Nam and a drug abuse prevention education project will be supported in Myanmar. In Africa, priority will be placed on situation assessment, primary prevention and demand reduction where rapid assessment surveys have been carried out. Assistance will be provided for institution-building.

100. Efforts to mobilize enterprises and workers to prevent substance abuse in central and eastern Europe will continue with ILO in central Europe. Based on existing expertise in countries in the area of the Persian Gulf, a programme of assistance will be designed in the demand reduction sector on data collection and analysis, prevention activities, health training and education programmes.

101. In Latin America and the Caribbean, the focus will be on drug abuse data collection and preventive education, with emphasis on high-risk groups. The main priorities will be to update school curricula by introducing preventive education on drug abuse, to make alliances with industry and workers' federations for the prevention of drug abuse in the workplace and to support youth in out-of-school settings and informal sectors using existing government and non-government capacities. Such activities will be underpinned by public awareness campaigns drawing in the media, parents and community leaders.

2. Elimination of illicit crops

102. Instead of traditional alternative development, UNDCP will promote the incorporation of a drug dimension into mainstream national rural development programmes with a view to expanding and replicating successful pilot and demonstration schemes. UNDCP will therefore seek to strengthen its role as advocate, technical partner, coordinator and partial source of funding, placing emphasis on the monitoring of illicit cultivation, the propagation of community commitment towards the elimination of illicit cultivation and the design of integrated area development schemes dealing with drug abuse in a comprehensive manner and lending themselves to grant and loan funding by bilateral and multilateral donors.

103. Efforts to eliminate illicit crops will focus on the major opium-producing areas, namely Afghanistan and Myanmar, from where most of the opium and heroin on the world market originate, as well as the Lao People's Democratic Republic and Pakistan. In Afghanistan, activities, including concrete support to communities engaged in reducing poppy cultivation, will be operational. In Pakistan, the comprehensive alternative development activities in the Dir district will continue with support from law enforcement efforts of the Government. In Myanmar, a five-year income substitution programme for local communities will become operational. Finally, alternative development activities will continue in local communities in the north-western provinces of the Lao People's Democratic Republic and in Nghe An province in Viet Nam, bordering the Lao People's Democratic Republic.

104. In Bolivia, Colombia and Peru, Government-led alternative development grounded in effective illicit coca elimination policies and sound rural development programmes will be promoted. Furthermore, UNDCP will support national entities entrusted with alternative development through policy guidance and support for

the reduction of illicit coca bush cultivation. In Brazil, UNDCP will assist with the development of strict controls for the production of and trade in licit drugs. UNDCP will also assist with national and subregional precursor control programmes, with emphasis on illicit trafficking in the Amazon basin. Support to rural integrated development programmes will be pursued in Lebanon and will be initiated in Morocco.

3. Suppression of illicit drug trafficking

105. Greater emphasis will be given to intercountry and cross-border cooperation for fighting illicit drug trafficking. This will largely be developed within the context of subregional cooperation approaches. Cooperation in this area will build on agreements reached with the World Customs Organization and ICPO/Interpol for information exchange and joint initiatives using such platforms as the Heads of National Drug Law Enforcement Agencies (HONLEA) meetings and the World Customs Organization network of regional intelligence liaison offices.

106. In Cambodia, the Lao People's Democratic Republic and Viet Nam, UNDCP will assist in building capacities of police and customs to prevent drug trafficking and the opening of new trafficking routes. Law enforcement capacity-building projects will be in operation in the Lao People's Democratic Republic and Viet Nam. In addition, laboratory assistance will be provided in the Lao People's Democratic Republic. A law enforcement project may be prepared to form part of the new country programme in Afghanistan, and cross-border cooperation between judges, prosecutors, investigators and drug enforcement officers will be promoted in south-east Asia through a memorandum of understanding and member States of the South Asian Association for Regional Cooperation. Legal advisory assistance will continue to be provided to a number of countries in the region until new laws are adopted and implementation training is completed.

107. Because of the increased trafficking problem in a number of African countries, the focus will be on upgrading national legislation as well as training judicial system personnel in western, central and south-eastern Africa. Furthermore, basic intercepting capacities will be developed and support will be provided on information sharing and on the joint handling of cases involving illicit drug trafficking. Finally, cross-border cooperation will be promoted in western, central and southern Africa and control mechanisms will be strengthened to prevent the diversion of pharmaceutical products to illicit markets.

108. Priorities in central Europe will include increasing criminal justice and law enforcement capacities, strengthening border control, increasing information exchange among States and developing projects to control the licit use of drugs. Law enforcement projects will be implemented among the members of the Visegrad Group (the Czech Republic, Poland, Slovakia and Slovenia). The current cross-border cooperation framework set up under the Prague Memorandum of Understanding will be expanded to include countries along the Balkan route. A common strategy aimed at dealing with the increasing traffic in precursors and narcotics will be developed between member States of the Economic Cooperation Organization. Institution- and confidence-building in post-conflict countries will be supported by technical assistance to narrow the gap in institutional frameworks and control capacities between countries that previously formed part of Yugoslavia and countries in central Europe. A coordination mechanism to strengthen the role of UNDCP as central coordinator of bilateral and multilateral assistance programmes will be expanded. Subregional cooperation programmes will be formulated to respond to the opening of new drug trafficking routes affecting the Near and Middle East and northern Africa. Drug law enforcement measures will be identified in close relation with relevant partners in the Near and Middle East and northern Africa and forms of assistance will be provided accordingly.

109. Acute trafficking problems persist in Brazil, Colombia, Mexico, Peru and Venezuela. In addition, drug trafficking and the illicit proceeds derived therefrom could remain significant destabilizing factors in Bolivia, Guyana and Suriname, as well as in countries in the Caribbean basin and Central America. Cross-border law enforcement programmes will be implemented in the Andean subregion and in southern Lomé, the Amazon basin and the Caribbean basin. UNDCP will work towards systematic collaboration among drug control

commissions through joint training and the exchange of information and expertise. Furthermore, subregional cooperation frameworks will be brokered or expanded to stem the cross-country flow of illicit drugs, precursors and illicit proceeds. Finally, in national legislation will be closed. Investigative and prosecutorial capabilities will be sharpened by national and regional training programmes. The provision of advisory services to develop and implement effective legislation will remain a key objective.

IX. FINANCIAL SITUATION, 1998-1999

110. For the biennium 1998-1999, the financial position of the Fund of UNDCP and programme support cost is shown in table 16, which indicates operational results, operating reserves and the fund balance. It is estimated that income and expenditure will increase somewhat. Income and programme support charges are expected to reach $134,030,000, the increase essentially reflecting the outcome of the new fund-raising activities launched during the biennium 1996-1997 and described in paragraphs 59-63 above. Those initiatives also account for the anticipated increase in the donor base, which has already been noted for the biennium 1996-1997. Although these are signs of improvement, the funding base remains volatile and small and having a large share of earmarked contributions limits the flexibility of the Executive Director in responding to priority requirements.

111. In order to continue with the deployment of available resources for drug control, expenditure, amounting to $162,298,000, will exceed income and programme support charges, amounting to $134,030,000, resulting in a reduction of the fund balance from $50,950,900 as of 31 December 1997 to $22,682,900 as of 31 December 1999. This will mark the end of an orderly adjustment process, after which the programme will be adjusted to available income. To maintain or even increase the level of activities beyond the outline period would require additional income in excess of the funding currently anticipated. Details on the Fund and programme support are provided below.

A. Fund of the United Nations International Drug Control Programme

112. For the Fund of UNDCP, total estimated expenditure during the biennium 1998-1999 is $157,398,000, exceeding total estimated income of $129,130,000 by $28,268,000. The operating reserve is expected to be maintained at $11,400,000 in accordance with the new policy outlined in paragraph 73 above. The fund balance of $50,847,700 as of 31 December 1997 is therefore expected to decline by $28,268,000 to $22,579,700 as of 31 December 1999. Explanations of the estimates are provided below.

113. Total expenditure is estimated at $157,398,000 for the biennium 1998-1999. Headquarters and field operations are funded entirely from general-purpose funds. For project activities, approximately 12.0 per cent of total expenditure is covered under general-purpose funds and 88.0 per cent under special-purpose funds.

114. Total income is estimated at $129,130,000 for the biennium 1998-1999, compared with $126,453,700 for the biennium 1996-1997. General-purpose income is expected to increase to $37,638,000 in the biennium 1998-1999, compared with $35,668,200 in the biennium 1996-1997, and special-purpose income is expected to increase to $91,492,000 in the biennium 1998-1999, compared with $90,785,500 in the biennium 1996-1997.

115. Total contributions are estimated at $122,200,000 for the biennium 1998-1999, including funds provided by donors amounting to $107,200,000 and funds provided through cost-sharing arrangements amounting to $15,000,000, compared with an estimated contribution of $117,169,300 for the biennium 1996-1997, including donor funding of $103,264,300 and cost-sharing contributions of $13,905,000. General-purpose contributions are expected to increase to $34,600,000 in the biennium 1998-1999, compared with $31,310,200 in the biennium 1996-1997, and special-purpose contributions are expected to increase to $87,600,000 in the biennium 1998-1999, compared with $85,859,100 in the biennium 1996-1997.

Table 16. Financial position, 1998-1999
(Thousands of United States dollars)

Item	*Fund of UNDCP*	*General purpose*	*Special purpose*	*Total*
		A. Fund of UNDCP		
Operational results				
(+) Income				
Contributions		34 600.0	87 600.0	122 200.0
Public donations		--	1 500.0	1 500.0
Interest income		2 288.0	2 392.0	4 680.0
Miscellaneous income		750.0	--	750.0
Total		37 638.0	91 492.0	129 130.0
(-) Expenditure				
Headquarters		15 058.3	--	15 058.3
Field operations		15 154.9	--	15 154.9
Project activities		15 234.0	111 950.8	127 184.8
Total		45 447.2	111 950.8	157 398.0
+/(-) Operational results		(7 809.2)	(20 458.8)	(28 268.0)
Operating reserves				
(+) As at 31 December 1997		11 400.0	--	11 400.0
(-) As at 31 December 1999		11 400.0	--	11 400.0
+/(-) Change in operating reserves		--	--	--
Fund balance				
As at 31 December 1997		18 299.5	32 548.2	50 847.7
+/(-) Operational results		(7 809.2)	(20 458.8)	(28 268.0)
+/(-) Change in operating reserves		--	--	--
As at 31 December 1999		10 490.3	12 089.4	22 579.7
		B. Programme support		
Operational results				
(+) Programme support charges				4 900.0
(-) Expenditure				
Headquarters				3 500.0
Field operations				1 400.0
Total				4 900.0
+/(-) Operational results				--
Operating reserves				
(+) As at 31 December 1997				600.0
(-) As at 31 December 1999				600.0
+/(-) Change in operating reserves				--
Fund balance				
As at 31 December 1997				103.2
+/(-) Operational results				--
+/(-) Change in operating reserves				--
As at 31 December 1999				103.2
		C. Consolidated summary		
Operational results				
(+) Income/programme support charges				134 030.0
(-) Expenditure				162 298.0
+/(-) Operational results				(28 268.0)
Operating reserves				
As at 31 December 1997				12 000.0
As at 31 December 1999				12 000.0
Fund balance				
As at 31 December 1997				50 950.9
As at 31 December 1999				22 682.9

116. The estimates for contributions, amounting to $122,200,000 for the biennium 1998-1999, are based on current funding trends, using indications received from donors and an assessment of the likely result of fund-raising efforts launched by UNDCP in 1996 that will continue to be pursued. The latter includes the initiative outlined in paragraphs 59-63 above and associated with the appeal for an increase of $15.0 million annually in general-purpose funds as elaborated in the paper entitled "The financing system and principles of 'ownership' of UNDCP". One of the goals of the fund-raising efforts is for current and potential donors to each provide an additional annual general-purpose contribution of approximately $300,000. The approach is closely linked to the concepts of ownership and collective empowerment elaborated in the above-mentioned paper. The launching of the fund-raising efforts in 1996 is expected to result in contributions amounting to $1.8 million for the biennium 1996-1997. On the basis of indications received so far, it can be expected that a minimum of $4.0 million in general-purpose contributions will be received in the biennium 1998-1999 in response to this initiative.

117. Apart from the specific initiative outlined above, UNDCP established a dialogue with the donor community on the issue of future contributions with the aim of receiving an indication of the level of resource that they intend to contribute to the Fund of UNDCP in the biennium 1998-1999. Many donors, however, are not in a position to provide any financial commitment, above all for multi-year purposes, prior to completion of their own fiscal year budgetary exercises. Added to this constraint is the diversity of sources of voluntary contributions, which often encompass funding from different ministerial departments and offices, including foreign affairs, health, social welfare and the interior. Taking into account current trends, ongoing fund-raising efforts and the donor-by-donor review, conservative estimates for donor contributions were established. It is anticipated that the donor base will continue to widen as new donors are expected to contribute to the activities of UNDCP. There will be less reliance on a few major donors, as a larger share of contributions is expected to be received from donors contributing between $0.5 million and $2.0 million annually.

118. Public donations are estimated at $1,500,000 for the biennium 1998-1999, compared with $1,428,400 for the biennium 1996-1997, of which $1,000,000 is expected to be contributed by the Drug Abuse Prevention Centre, a Japanese non-governmental organization. The funds are raised through annual campaigns organized by the Centre and the level of income is based on previous experience and indications received from the Centre. The balance of $500,000 consists of estimated contributions from non-governmental organizations.

119. Interest income is estimated at $4,680,000 for the biennium 1998-1999, $2,288,000 being generated from general-purpose funds and $2,392,000 from special-purpose funds, compared with estimates amounting to $7,106,000 for the biennium 1996-1997, including $3,608,000 from general-purpose funds and $3,498,000 from special-purpose funds. Interest income is received from temporary surpluses and operating reserves, invested by the Treasury of the United Nations in accordance with the Financial Rules of the United Nations and the guidance received by UNDCP. The interest income is determined by the interest rates on United States dollar call accounts and short-term deposits and the cash balance maintained by UNDCP. The estimates for the biennium 1998-1999 are based on the assumption that the interest rates will continue at the October 1996 rate of 5.2 per cent, with an average biennial cash balance of $22.0 million for general-purpose funds and $23.0 million for special-purpose funds. Interest income for special-purpose funds is, in general, either reallocated to fund activities in line with the initial earmarking or provided for new activities in accordance with the indications received from the contribution of donors.

120. Miscellaneous income is estimated at $750,000 for the biennium 1998-1999, the same amount for the biennium 1996-1997. It includes refunds of the prior years' expenditure and gains on the translation of currencies. The estimates for the biennium 1998-1999 are based on recent experience.

121. The operating reserve reflects the introduction of a new policy for the biennium 1996-1997, as mentioned in the report of the Executive Director (E/CN.7/1997/8, paras. 56-57) and in paragraph 73 above.

The operating reserve ensures the financial viability and integrity of the Fund by covering downward fluctuations or shortfalls in resources; uneven cash flows; increases in actual costs compared with planning estimates or fluctuations in delivery; and contingencies such as final expenditure, including liquidating liabilities. It was calculated to be $11,400,000 for the biennium 1996-1997. Calculations according to the identified criteria did not indicate a need to propose a change in the reserve.

122. Due to the operational results for the biennium 1998-1999, the fund balance is expected to decline by $28,268,000, from $50,847,700 as of 31 December 1997 to $22,579,700 as of 31 December 1999. The decline in general-purpose funds amounts to $7,809,200 and for the decline in special-purpose funds amounts to $20,458,800.

B. Programme support

123. For programme support, total estimated charges for the biennium 1998-1999 are expected to be $4,900,000, an amount equal to total estimated expenditure. The operating reserve will be maintained at $600,000 in accordance with the new reserve policy already introduced for the biennium 1996-1997, which is described in paragraph 73 above. The fund balance will thus be maintained at $103,200.

124. Total resources for the biennium 1998-1999 are estimated at $4,900,000, of which $3,500,000 or 71.4 per cent are allocated to headquarters and $1,400,000 or 28.6 per cent are allocated to field operations.

125. The estimate of programme support charges amounts to $4,900,000 for the biennium 1998-1999, compared with $4,370,100 for the biennium 1996-1997. The calculation of programme support charges is based on the estimated project delivery. The category of execution determines the rate of charges retained by UNDCP. Details on this arrangement are described in paragraphs 75-77 above.

Notes

[1]See *Official Records of the General Assembly, Fiftieth Session, Supplement No. 6* (A/50/6/Rev.1), vol. I.

[2]*Official Records of the General Assembly, Fiftieth Session, Supplement No.51* (A/51/5/Add.9), paras. 36-37.

[3]Ibid., para. 33.

[4]Ibid., para. 19.

[5]*Official Records of the United Nations Conference for the Adoption of a Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, Vienna, 25 November-20 December 1988*, vol. I (United Nations publication, Sales No. E.94.XI.5).

Annex I

ORGANIZATIONAL STRUCTURE OF THE UNITED NATIONS INTERNATIONAL DRUG CONTROL PROGRAMME

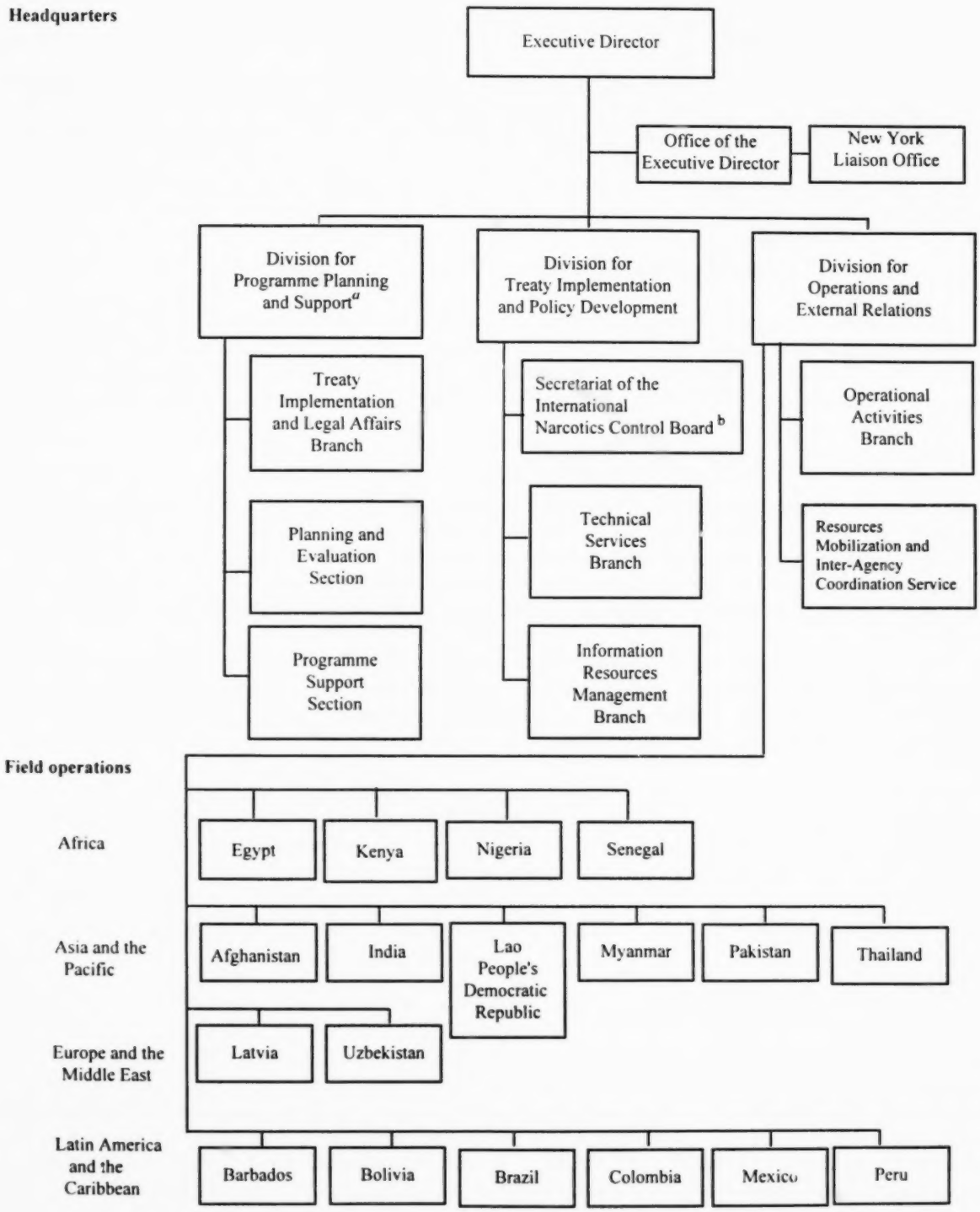
1. The United Nations International Drug Control Programme (UNDCP) was established pursuant to General Assembly resolution 45/179 as the single body responsible for concerted international action for drug abuse control. Concerted international action is anchored in the consensus of the international community, which in turn is embodied in the international drug control treaties: the Single Convention on Narcotic Drugs of 1961,[a] that Convention as amended by the 1972 Protocol,[b] the Convention on Psychotropic Substances of 1971[c] and the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988.[d]

2. Under the international drug control system, of which the above-mentioned conventions are an essential part, the Commission on Narcotic Drugs is the main intergovernmental policy-making body in drug control. The Commission, which is a functional commission of the Economic and Social Council, acts as the governing body of UNDCP. The International Narcotics Control Board oversees compliance by Governments with their obligations under the conventions. UNDCP supports the work of the Commission and the Board and assists Governments in enhancing the impact of drug control efforts. The mandate of UNDCP is contained in the international drug control treaties, the Comprehensive Multidisciplinary Outline of Future Activities in Drug Abuse Control[e] and resolutions of the Commission, the Economic and Social Council and the General Assembly, in particular Assembly resolution S-17/2 (to which is annexed the Global Programme of Action adopted by the Assembly at its seventeenth special session), Assembly resolutions 45/179 and 47/100 and the medium-term plans of the United Nations.

3. UNDCP is funded from the regular budget of the United Nations as well as from extrabudgetary resources, comprising the budget of the Fund of UNDCP (the Fund budget) and the budget for programme support cost. The regular budget of UNDCP essentially covers activities of treaty implementation and legal affairs at UNDCP headquarters; it is submitted by the Secretary-General, reviewed by the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and approved by the General Assembly. The Fund budget and the programme support cost budget are financed from voluntary contributions and geared towards assisting developing countries in meeting their obligations in implementing provisions of the international drug control treaties through specific national action. Such assistance is provided through UNDCP headquarters, the network of UNDCP field offices and projects in drug control. The budgets are submitted by the Executive Director, reviewed by ACABQ and approved by the Commission on Narcotic Drugs. Approximately 10 per cent of UNDCP resources is made available from the regular budget and the remaining 90 per cent is from voluntary contributions.

4. The organizational structure of UNDCP includes the following: Executive Director and Office of the Executive Director, Division for Programme Planning and Support, Division for Treaty Implementation and Policy Development, Division for Operations and External Relations and field offices in 18 countries (see figure). The organizational entities of UNDCP are described below, with reference to their main funding source.

Organizational chart of the United Nations International Drug Control Programme



[a]Including the Office of the Deputy Executive Director.

[b]For substantive matters, the head of the secretariat of the International Narcotics Control Board (INCB) (the Secretary of the Board) is responsible to the Board.

I. HEADQUARTERS

A. Executive Director and Office of the Executive Director

5. The Executive Director provides overall direction, supervision and management for the implementation of the legislative mandates and the approved programme of work. The Executive Director also participates fully in the work of the Administrative Committee on Coordination (ACC). The Office of the Executive Director is mainly funded from extrabudgetary resources and provides support and assistance to the Executive Director. The New York Liaison Office, mainly funded under the regular budget, reports to the Office of the Executive Director.

B. Division for Programme Planning and Support

6. The Division for Programme Planning and Support includes the office of the Deputy Executive Director, who assists the Executive Director and acts as Officer-in-Charge of UNDCP in the absence of the Executive Director and carries out specific functions in the areas of policy, programme planning and human resource management. The Deputy Executive Director performs those functions in addition to carrying out his or her responsibilities as Director of the Division.

7. *The Treaty Implementation and Legal Affairs Branch* is entirely funded under the regular budget. It (a) coordinates and supports the implementation of, and reporting on, UNDCP treaty-based activities and the responsibilities entrusted to the Programme by intergovernmental mandates, (b) advises and assists Member States, the Commission on Narcotic Drugs and other intergovernmental bodies on matters relating to treaty implementation and (c) provides substantive services to intergovernmental organs, including the Economic and Social Council and the General Assembly, committees and conferences dealing with drug control matters.

8. *The Planning and Evaluation Section* is mainly funded under the regular budget. It (a) analyses policy issues, (b) assesses the performance of programme activities, (c) coordinates planning activities, (d) oversees the evaluation of technical cooperation projects and (e) provides methodological support to Member States in the preparation of national drug control plans.

9. *The Programme Support Section* is entirely funded from extrabudgetary resources of UNDCP. It is responsible for (a) preparation of budget outlines, budgets and performance reports funded from extrabudgetary resources, (b) preparation of financial statements for presentation to the Board of Auditors, the Commission on Narcotic Drugs and the General Assembly, (c) ensuring adherence to policies and procedures for the control and management of financial resources, (d) issuance and administration of allotments and (e) liaison with Personnel Service of the United Nations Office at Vienna on personnel matters.

C. Division for Treaty Implementation and Policy Development

10. *The secretariat of the International Narcotics Control Board* is entirely funded under the regular budget. It (a) provides secretariat and substantive services to the Board for the execution of its functions under the international drug control treaties, (b) acts on behalf of the Board between the treaty-mandated sessions by monitoring and promoting treaty compliance by Governments and by helping to ensure the functioning of the international control systems for narcotic drugs, psychotropic substances and precursor chemicals and (c) coordinates and reviews substantive input from other parts of UNDCP for the work of the Board.

11. *The Technical Services Branch* is funded partly by extrabudgetary resources and partly under the regular budget. It (a) serves as the repository of technical expertise in international drug control for the United Nations, as well as for Member States, (b) advises Member States on questions of international and national drug control, (c) provides technical advice and services to States, as well as to the Commission on Narcotic

Drugs and its subsidiary bodies, the International Narcotics Control Board and expert groups, (d) undertakes research and analytical work and (e) provides technical advice to help shape and develop UNDCP programmes, projects and policies and to ensure that they are of the required technical standard and scientific quality.

12. *The Information Resources Management Branch* is mainly funded under the regular budget. It (a) designs, implements, manages, provides technical support for and ensures the security of an integrated information system, (b) develops and updates a global drug information technology strategy, (c) promotes international norms for the electronic exchange of drug-related data and information and (d) facilitates the exchange of such information among bodies of the United Nations common system and Member States.

D. Division for Operations and External Relations

13. *The Resources Mobilization and Inter-agency Coordination Service* is mainly funded from extrabudgetary resources. It (a) develops fund-raising strategies to support the UNDCP and coordinates their implementation, (b) coordinates cooperation with other entities of the United Nations common system and non-governmental organizations, (c) coordinates all UNDCP public affairs activities and, in cooperation with the Department of Public Information of the Secretariat, (d) manages relations with the media and the general public and coordinates activities related to the United Nations Decade against Drug Abuse and (e) assists the Executive Director at ACC meetings.

14. *The Operational Activities Branch* is entirely funded from extrabudgetary resources. It (a) coordinates all technical activities of UNDCP and the field offices, (b) assists Governments in the development and implementation of drug control programmes aimed at reducing illicit cultivation, production, manufacture, traffic and abuse of narcotic drugs and psychotropic substances. The Branch is composed of four regional sections (Africa; Asia and the Pacific; Europe and the Middle East; and Latin America and the Caribbean) and the Legal Advisory Programme. Each regional section provides overall policy guidance to the field offices and ensures coordination of programme development in the region.

II. FIELD OPERATIONS

15. UNDCP is represented at the country level by the UNDCP Representative, who is also the United Nations Development Programme (UNDP) Resident Representative. UNDCP maintains a field network entirely funded from extrabudgetary resources that includes country and regional offices, as well as a regional centre. The field offices are responsible for advising Governments on drug control matters and for assisting them in developing and implementing national drug control policies and programmes. The field offices also carry out normative functions such as promoting adherence to the international drug control treaties and assisting Governments in implementing the Global Programme of Action. Regional offices promote and coordinate activities in or between several countries or in a region, especially where there is no UNDCP country office.

16. The UNDCP Representative reports to the Executive Director. The field offices are headed by directors who act under the guidance of UNDCP representatives and are under the authority of, and responsible to, the Executive Director. The directors report to the Director of the Division for Operations and External Relations. Support for the administration of the field network is provided by UNDP.

Notes

[a]United Nations, *Treaty Series*, vol. 520, No. 7515.

[b]Ibid., vol. 976, No. 14152.

[c]Ibid., vol. 1019, No. 14956.

[d]*Official Records of the United Nations Conference for the Adoption of a Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, Vienna, 25 November-20 December 1988*, vol. I (United Nations publication, Sales No. E.94.XI.5).

[e]See *Report of the International Conference on Drug Abuse and Illicit Trafficking, Vienna, 17-26 June 1987* (United Nations publication, Sales No. E.87.I.18), chap. I, sect. A.

Annex II

GLOSSARY

Agency support costs. Expenses incurred by an executing agency as a result of its administration of project activities financed from the Fund of the United Nations International Drug Control Programme (UNDCP).

Associated organization. An entity designated by the Executive Director of UNDCP to participate, in association with an executing organization, in the implementation of projects.

Executing organization. An entity designated by the Executive Director to implement a project. The executing organization is responsible for the overall management of the project and is responsible and accountable for the delivery of outputs, the achievement of project objectives and the use of UNDCP resources.

Final budget. Budget estimates following the second and final revision of the initially approved biennial budget during the end of the second year of the biennium.

Fund budget. Budget covering activities supported under the Fund of the United Nations International Drug Control Programme for a period of two calendar years.

General-purpose funds. Funds accepted by the Executive Director for purposes consistent with those of UNDCP, without limitation as to the use for a specific purpose.

Initial budget. Budget estimates approved by the Commission on Narcotic Drugs prior to the start of the biennium.

National execution. The arrangement whereby an entity located in the recipient country is entrusted with the responsibility for executing UNDCP-assisted projects.

Programme support activities. Technical and administrative activities where a demonstrable relationship exists between the supporting activity and the implementation of project activities.

Programme support funds. Funds derived according to the programme support arrangement from the execution of projects for the exclusive funding of programme support activities.

Programme support cost budget. Budget covering programme support activities and financed from programme support funds for a period of two calendar years.

Project. Separately identified undertaking relating to international drug control matters and directly assisting recipient organizations.

Recosting. Adjustment of budget estimates for cost factors over which the Executive Director has little, if any, control but which nevertheless have an impact on overall resource requirements for the biennium budget. Such cost factors include, for example, decisions on staff entitlement and exchange/inflation rate movements.

Reserve. An amount to guarantee the financial liquidity and integrity of the general-purpose, programme support and special-purpose funds, to compensate for uneven cash flows and meet other similar requirements as may be decided by the Commission on Narcotic Drugs.

Resource growth. Real increases or decreases in requirements, representing the controllable elements in the budget estimates.

Revised budget. Budget estimates following the first recosting of the initially approved biennial budget during the end of the first year of the biennium.

Special-purpose funds. Funds accepted by the Executive Director for purposes specified by the donor and consistent with the policies, aims and activities of UNDCP.

Volume adjustments. Modifications of the approved budget introduced in the context of the revised and final budget, which capture major changes in terms of programme and budget.

Annex III

BUDGET METHODOLOGY

1. The calculation of budget estimates for the Fund of the United Nations International Drug Control Programme (UNDCP) and programme support cost follows a methodology aimed at enhancing budgetary transparency and maintaining compatibility with estimates established for the regular budget of the United Nations. UNDCP follows a biennial budget cycle. Two basic calculations might be distinguished: the revision of an approved budget for the same biennium and the establishment of a budget for a future biennium.

I. REVISED BUDGET

2. The calculation of a revised budget includes two adjustments vis-à-vis the approved budget: costing adjustments and volume adjustments. The distinction is made to provide transparency in the budget revision. First, costing adjustments identify the resource modifications required to implement the initially approved programme of work. Such adjustments reflect, in particular, the fluctuations in rates and standard costs compared with the assumption used for establishing the approved budget. Adding the initial budget and the costing adjustments yields "total after recosting". Secondly, volume adjustments capture major departures from the approved programme of work, including their programmatic and budgetary implications, as well as major budgetary changes resulting from efficiency measures. Adding "total after recosting" and volume adjustments yields the revised budget. Volume adjustments are introduced in an incremental manner. Initial budget estimates and programme activities unaffected by the adjustments remain valid and are not presented as part of the revised budget. Moreover, volume adjustments only cover major departures from the approved budget and do not attempt to cover all details and possible adjustments. Restricting budget revisions corresponds essentially to updating the approved budget plan. Since no full-fledged budget presentation and review exercise is required, it is possible to maintain the biennial character of the budget cycle. Essentially, the two adjustments provide transparency on two issues.

II. OUTLINE

3. The establishment of an outline includes two adjustments compared with the budget of the preceding period: resource growth and recosting adjustments. The distinction is made to provide transparency when calculating the outline. First, resource growth identifies the budget adjustments that would be required if the outline were implemented during the preceding period. In other words, preceding budget and resource growth are expressed for the same period utilizing the same standard costs. Resource growth is often termed real growth: it identifies the changes in the level of programme activity between the preceding budget and the future outline. Adding the preceding budget and resource growth yields "total before recosting". Secondly, the recosting adjustments lift the preceding budget and the resource growth to the rates and standard costs prevailing during the future outline period. This includes, in particular, increasing the budget for anticipated inflation. Adding "total before recosting" and "recosting" yields the outline.

III. STANDARD COSTS AND EXPENDITURE INFORMATION

4. The rates and standard costs utilized in the recosting include inflation and exchange rates, standard salary costs, common staff costs and vacancy rates. Those data are based on information from 19 countries representing the main areas of UNDCP operations and are made available by the International Civil Service Commission, the Programme Planning and Budget Division of the Secretariat, the UNDCP expenditure database and the UNDCP field office network. Since the budget of UNDCP is expressed in United States dollars, the movement of currencies in relation to the dollar can have a sizeable impact on expenditure in

other currencies. In the recosting, previous assumptions are updated based on actual monthly operational rates in the country of operation. No attempt is made to forecast the movement of currencies vis-à-vis the United States dollar. Instead, projections until the end of the budget or outline period are based on the latest available monthly rate. For inflation, the same is applied for updating previous assumptions based on the actual monthly consumer-price indexes prevailing in the country of operation. Projections are based on the average of the previous 12 months. For countries where inflation is as volatile as the rate of exchange, the recosting would overstate requirements when applying the high rate of local inflation without anticipating parallel movements of exchange rates. In those cases, a moderate rate of increase has been selected for projections, which reflect the general inflation rate after adjustments for exchange rate movements. Revisions to standard salary costs, common staff costs and vacancy rates are based on actual experience by category and level for the Vienna duty station and each of the four regions of operations. Projections are based on the average of the latest months available for the biennium 1996-1997 and on Standard Salary Costs, Version 07, used for the regular budget of the United Nations as adjusted for recent exchange rate movements.

5. Expenditure data provide important information to verify rates and standard costs as well as input for projecting expenditure patterns. For the biennium 1996-1997, actual expenditure for headquarters and the salary costs of international staff in field offices are available for the period from January 1996 to October 1996. In addition, actual expenditure is available for other objects of expenditure by field offices and project activities for the period from January 1996 to September 1996. Expenditure for the remaining periods is estimated based on previous experience, latest information available and future plans. No details or justifications are provided for programme activities already approved by the Commission in the context of the initial budget. Major programme modifications to the approved budget and their financial implications are identified and introduced as volume adjustments. As a result, more realistic estimates are elaborated for the revised budget, in line with the concern of the Advisory Committee on Administrative and Budgetary Questions.